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File No. 163/4/7/3/3 P. 4

SUBJECT: EGYPT- NATIONALISATION OF

FORMER PAPERS. 3.

LATER PAPERS. 5

THE SUEZ CANAL

ARCHIVAL ACTION.

# SECRET.

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[illegible]

File No.



163 / 4 / 7 / 3 / 3

PT. NO. 4

# FILE CLOSED

THIS PART OPENED ON 12. 8. 56

THIS PART CLOSED ON 17. 8. 56

SUBSEQUENT CORRESPONDENCE ON FILE Part 4A

4859/63

CONFIDENTIAL



The Acting Secretary,  
Department of External Affairs,  
CANBERRA, A.C.T.

20 AUG 1956  
With the compliments  
of the  
Official Secretary

4 copies of Commonwealth Relations Office  
Memoranda on Suez.

Office of the High Commissioner  
for the United Kingdom,  
Canberra, A.C.T.

*Copies sent to:*  
*Mr. Kewin*  
*Mr. Aspin*  
*Information (less*  
*record conservation*  
*15th August)*

20th August, 1956.

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National Archives of Australia

NAA: A1838, 163/4/7/3/3 PART 4

CONFIDENTIAL.

SUEZ CANAL CONFERENCE.

The start of the Conference is reasonably satisfactory. We have at any rate avoided wrangle on the procedure and have side stepped Indian objections on voting although we may have trouble on this later on.

2. Mr. Dulles' speech was impressive and the shortness of today's session should help its points to sink in. M. Pineau will speak first tomorrow and the Foreign Secretary will probably follow later.

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COMMONWEALTH RELATIONS OFFICE MEMORANDUM.

DATED 17TH AUGUST, 1956.



CONFIDENTIAL

SUEZ CANAL AND ASIA

The present wave of emotion in support of Nasser in most Asian countries has obscured effect on investment in Asia which his action is bound to have. You should therefore at discretion point out that setting up of an International Authority for the Canal which would certainly safeguard Egypt's legitimate interests would do something to restore confidence. It therefore merits Asian support which will in turn create a more favourable atmosphere for investment of foreign capital in Asia.

2. You could also mention that as result either of Egyptian restrictions or of deterioration in efficiency of operation of Canal diversion of ships round Cape would increase considerably costs of imports and exports between East and West with consequent damage to standards of living. See also paragraph 3 of my telegram W337. Whatever Nasser may claim he would have to depend almost entirely on international expertise.

COMMONWEALTH RELATIONS OFFICE MEMORANDUM

DATED 17th AUGUST, 1956.

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SUEZ CANAL CONFERENCE 18TH AUGUST.

Mr. Menzies opened this afternoon's debate. He said that impression had been given in certain publications that the interests of the governments east and west of Suez were antagonistic. Such an impression was deplorable. All nations had a common interest in the free operation of the Canal its competent management and its development. Australia as a country east of Suez had a great interest in the freedom of transit. The problem was to ensure the maintenance of this freedom and no guarantee of this would be of any value unless it could be made effective. The essential factor was the establishment of confidence in the efficient administration of the Canal and this factor would be ignored at our peril. It begged the question to say that Egypt should be allowed to exercise her sovereign rights. This should not mean that all users of the Canal should enjoy this privilege of using the Canal on sufferance putting the whole future of their peoples in the hands of one government and one man. A solution had to be reached which was not rhetorical recognised Egypt's legitimate rights and reserved the status of the Canal as an international waterway. He agreed Dulles' proposals. He did not wish to argue the legality of nationalisation but pointed out that compensation had not yet been paid. Not only the users but Egypt also would derive advantages from acting on the basis of Dulles' proposals which should be embodied in a Treaty associated with the United Nations. International management was essential. He pointed out considerable advantages which Egypt derived from Dulles' proposals. They were

- (1) The Suez Canal Company was taken over.
- (11) There would be no private profit and the only recipient of profit would be the Egyptian Government



- (III) Egyptian sovereignty and physical ownership were recognised
- (IV) Egypt would receive a substantial sum of money in the form of rental or dues
- (V) The new Authority could make arrangements for buying out the shareholders of the Suez Canal Company so that Egypt would not have to pay compensation
- (VI) The future of the Suez Canal as a revenue earner would be assured by the new Authority.

2. It seemed that Egypt was doing very well but did not oppose this as he wanted a settlement that could not be described as tyrannical and unjust towards Egypt. Future capital for the maintenance of the Canal would only be available if there were genuine confidence in its future. While we had not created this crisis our speeches had been moderate and we wished to assure both fair and generous treatment for Egypt and justice for other nations of the world.

3. The Representative of Ceylon first stressed at some length the necessity of not infringing Egypt's sovereignty. It was essential that a peaceful solution of the dispute should be reached. His government would seek a middle path and their first aim was to restore an atmosphere of goodwill and understanding. The nationalisation of the Suez Canal was as the Representative of Sweden had stated a fait accompli. Since that fact had been accepted this meant that the rights of the Suez Canal Company devolved on Egypt. The free use of the Canal was guaranteed by the 1888 Convention and Egypt had declared that she would respect the principles of that Convention. The question was whether Egypt enjoyed the confidence of the users of the Canal and was in the position to undertake the task of running it. He made the following suggestions to none of which he finally committed himself

- (1) A United Nations Agency with consultative and advisory powers should be created. Egypt would have to consult this Agency concerning financial and technical aspects. All action proposed by Egypt would be brought to the attention of this body and if Egypt were to reject its advice her international

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position would be difficult

(11) A United Nations body should be created through which other nations could complain in the event of unsatisfactory conduct by Egypt

(111) An International Board outside the United Nations should be set up as suggested by Dulles. This Board would be appointed by the Government of Egypt other countries would be represented on it and the right to operate the Canal would be vested in it

(IV) A Board should be created which only had competence over principally technical questions.

All of the above were without prejudice to the sovereignty of Egypt.

4. He then stressed that countries who had just attained their independence felt strongly and emotionally about their national sovereignty. They attached even more importance to this than other older countries and though sometimes unreasonable and emotional these feelings could not be ignored. He suggested the formation of a group to negotiate with Egypt. Egypt would be unable to ignore any reasonable proposal supported by world opinion.

5. The Representative of the Netherlands stressed the inter-dependence of nations and the necessity for honouring international obligations. Experience did not justify the attitude of one delegate who had suggested that all that was needed was for all countries to put faith in Egypt. He quoted the Egyptian failure to comply with the Security Council resolution governing Israeli shipping. He stressed the international character of the Canal and supported a solution on the lines of Dulles' suggestions.

6. The Representative of Ethiopia after pointing out the friendly relations between country and Egypt and stating that the nationalisation of the Suez Canal Company could not be questioned stressed that the future interests of the international community surpassed the interest of the national state to whom the Canal belonged. The Canal was not vital for Egypt who had access to both the Mediterranean and Red Seas whereas almost all Ethiopia's trade passed through the Canal. The necessity for ensuring the freedom of

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navigation overshadowed all other problems. Without committing himself specifically he said that there should be an international system in order to guarantee the rights of the users of the Canal. Any solution which was arrived at should be linked with the United Nations. He would give his views of the detailed suggestions which had been made later.

7. The Representative of Pakistan said that there were four points on which all were agreed

- (I) The necessity for a peaceful solution of the problem
- (II) There should be no infringement of Egyptian sovereignty
- (III) The legitimate interests of Egypt should be safeguarded
- (IV) Freedom of navigation must be guaranteed.

8. Egypt had the right to nationalise the Suez Canal Company and had also declared that she would uphold the 1888 Convention and negotiate a new settlement. However the time and circumstances of the nationalisation had shaken the confidence of a vast number of countries. The restoration of confidence and security was vital both for the users and for Egypt. Confidence was easily destroyed but only with difficulty restored. Even a temporary interruption of Canal traffic would be the most serious setback to the economic development of the countries east of Suez to whose economies a constant exchange with the industrial countries of the West was vital. He suggested that

- (I) The nationalisation of the Suez Canal should be accepted as a fait accompli and the question of compensation should be treated separately
- (II) Effective machinery should be set up in collaboration with Egypt to ensure free passage of the Canal
- (III) The legitimate interests of Egypt should be safeguarded and
- (IV) A committee should be formed to negotiate with Egypt and report back to the Conference.

9. He ended by saying that Pakistan was bound by faith and culture to the countries of the Middle East and especially Egypt.

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COMMONWEALTH RELATIONS OFFICE MEMORANDUM

Dated 20th August 1956  
National Archives of Australia

NAA: A1838, 163/4/7/3/3 PART 4



SUEZ CANAL CONFERENCE.

M. Pineau spoke first this afternoon (17th August) he stressed that France had conceived and carried through the Canal project. Recently France had shown great patience in the face of provocation from Nasser concerning Algeria. The French Government was not opposed to nationalisation of property on the territory of a sovereign power. The case of the Suez Canal Company was quite different because of its international implications. He compared it with the Government of Switzerland nationalising the Bank of International Settlements. He quoted a number of instances where the Egyptian Government had recognised the international character of the Canal Company. His familiar plan for the development of under developed countries would require confidence and investment of capital. Nasser's methods would not help the establishment of such confidence. The French Government had exerted pressure on employees of the Suez Canal Company to remain at their posts in the hope of reaching a peaceful solution. If the present position was accepted Nasser's action which was a form of attack on international law would be ratified. The problem of free navigation had to be settled and Nasser's promise to guarantee free transit of the Canal and no discrimination could not be trusted. M. Pineau mentioned Nasser's book "Philosophy of the Revolution" and the banning of Israeli ships. 316

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It was said that this ban had been imposed to please public opinion in Arab countries. He stressed the danger of further steps that might be taken to satisfy such public opinion. He agreed generally with Mr. Dulles' proposals. Simple international control was not sufficient and a form of management was needed. An international body should be formed of the main users of the Canal and Egypt and associated with the United Nations. This should agree on rates operation of the Canal investment policy indemnity to the S.C.C. and the dues to Egypt. It would be non profit making and its surplus would be used for the benefit of Egypt. France did not intend to deny Egypt a just return. It had been suggested that any international solution would endanger Nasser's prestige. France could not discuss under pressure of such an argument as they wanted a practical solution. Nasser would more readily accept a solution if he saw he was unable to exploit differences between users of the Canal. France wanted peace but those who wanted peace had to be firm. This was not a question of a conflict of interests between East and West, the East gained nothing by avenging themselves on the West but should try to raise their standard of living. The Delegate of Norway said everyone wishes to contribute towards a peaceful solution of the crisis. Such a solution must ensure

- (1) free passage of the Canal and non discrimination in accordance with the 1888 Convention;
- (11) administration able to ensure the efficient operation

/management

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management and further development of the Canal. This was an intricate technical task and for some time to come the services of the S.C.C. staff would be required. It was essential to restore international confidence which had been dealt a blow by Egypt's unilateral act. This was contrary to the accepted precepts of international conduct. He agreed with Mr. Dulles that the Canal should not be a political instrument of one country. It should be operated by an international non political regime which was the only real safeguard for users both from East and West. The suggestions of Dulles and Pineau were acceptable to the Norwegian Government but flexibility should be maintained in view of the necessity for future negotiations with Egypt. The Soviet representative defended at length the Egyptian right to nationalise. He posed as the champion of Asian Powers, Principles of Bandung and settlement of problems by peaceful negotiation. Suez Canal Company had been continually exploiting Egypt for its own selfish ends. In discussing freedom of navigation he recognised interest of many nations especially the United Kingdom in the freedom of transit of the Canal but maintained that Egypt was able to guarantee this freedom in accordance with the 1888 Convention. He supported Nasser's proposal to convene a new conference and suggested a Preparatory Commission on which Egypt, India, the United States, United Kingdom, U.S.S.R. and France would be represented. The Delegate of Germany supported the suggestion of Dulles and Pineau that the operation of the Canal should correspond to the 1888

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Convention. The legitimate interests of Egypt should be respected. The principle of free passage should be guaranteed institutionally. He welcomed the proposal for the association of future international safeguards with the United Nations. The Suez Canal was vital for East and West and he hoped the problem would be solved in a constructive spirit, on the basis of the Three Power proposals.

The Delegate of New Zealand in a forceful speech condemned Egypt's action as immoral. He referred to the tone in which Nasser's decision had been announced with its violence and threats to the employees of the S.C.C. He ridiculed the suggestion that the S.C.C. had been sucking Egypt's blood. It had in fact turned a barren area into a great source of income which had contributed to Egypt's economy. The conduct of the S.C.C. had been beyond reproach. His Government supported the Tripartite proposals for a soundly based international system which respected the rights of the Egyptian people. Nasser had risked jeopardising his people's prosperity but if an international system for the efficient operation and free and unrestricted passage of the Canal could be established, the benefits for Egypt would be great. The problem was to establish confidence and though damage had been done it could be repaid.

The Delegate of Japan was non-committal and expressed his hope that moderation would prevail and a fair settlement be arrived at which would fulfil the aspirations of all nations. He hoped that the Canal in the future would serve as a link  
/between

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between East and West.

The Representative of Denmark regretted the absence of Egypt from the Conference. He described the Canal as a joint international enterprise and an outstanding example of teamwork which was essential to strengthen mutual confidence between East and West. He supported the basic attitude expressed in Dulles' wise statement.

The Representative of Turkey supported Dulles' suggestion in a firm speech. He made a plea for the separation of emotionalism from the problem which had arisen largely because of a sentimental antagonism between East and West.

The Representative of Spain said that by virtue of the 1888 Convention the Canal was already subject to international regime. This Convention needed revision. A new regime should be established which would respect the territorial sovereignty of Egypt and continue the efficient operation of the Canal. Direct international management was not necessary. He suggested that countries principally interested in the Canal should have representatives on the Board of the new Egyptian Agency. If difficulties arose they could be referred to the United Nations.

The Delegate of Iran acknowledged the right of Egypt to nationalise provided compensation were paid. He then quoted from the 1888 Convention to show that freedom of passage of the Canal had been generally recognised, Article 8 of the 1954 Anglo-Egyptian Agreement which had recognised the international importance of the Canal and the Security Council resolution of 1st September 1951, condemning Egypt's stopping of Israel's

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ships passing through the Canal. Free and uninterrupted passage of the Canal was vital to Iran which would support an international solution which would guarantee this. Mr. Dulles' proposals were useful and constructive. Iran had been concerned at military preparations which had been taken but was glad to note the Prime Minister's statement in his recent broadcast that the United Kingdom did not seek a solution by force.

COMMONWEALTH RELATIONS OFFICE MEMORANDUM.

DATED 18TH AUGUST. 1956.

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CONFIDENTIAL.

SUEZ.

The following is an extract of record of the conversation on the 15th August between the Foreign Secretary and Mr. Dulles, the full record of which you will receive by bag under routine arrangements. Begins.

Mr. Dulles said that he had been concerned at the suggestions in some United States newspapers that there was difference between the United Kingdom and United States positions. He thought that this had probably come from Indian sources. He had exchanged messages with Mr. Nehru in one of which the latter had expressed alarm at Tripartite proposals on the ground that these would be wholly unacceptable to Egypt. In reply Mr. Dulles had explained to the Indian Ambassador in Washington that the proposed International Authority was not the monster which the Indians seemed to think it and that it need not infringe the basic sovereignty of Egypt. He thought that this might have been used by the Indians as basis for newspaper reports. In fact Mr. Dulles was confident that his presentation of the matter was closely in line with ours. The Foreign Secretary said that there was some confirmation of this in that Mr. Krishna Menon had told him that United States and United Kingdom thinking was clearly far apart. It was in order to counter these rumours that he had given the substance

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of the proposals in his broadcast the previous evening and had emphasised that they were tripartitely agreed. Mr. Dulles said that the statement had been put out in Washington which he hoped had corrected any misunderstanding. Washington Post had in fact retracted their earlier report.

Ends.

COMMONWEALTH RELATIONS OFFICE MEMORANDUM.

DATED 17TH AUGUST, 1956.

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RESTRICTED



DEPARTMENT OF  
EXTERNAL AFFAIRS

20 AUG 1956

CANBERRA

The Acting Secretary,  
Department of External Affairs,  
CANBERRA, A.C.T.

*With the compliments  
of the  
Official Secretary*

Commonwealth Relations Office  
Memorandum on Suez Canal Conference.  
Two Copies, dated 17th August, 1956.

20th August, 1956.

*Office of the High Commissioner  
for the United Kingdom,  
Canberra, A.C.T.*

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National Archives of Australia

NAA: A1838, 163/4/7/3/3 PART 4

RESTRICTED

SUEZ CANAL CONFERENCE.

The Prime Minister opened the Morning Session on 16th August by welcoming the delegates and then withdrew.

2. The Foreign Secretary was voted into the Chair and proposed that there should be no formal rules of procedure but that he should be guided generally by those applicable in the main committees of the United Nations.

Mr. Menon (India) said there should be no voting except in respect of procedural matters. He was supported by the Indonesian, Ceylon and Soviet Union representatives. The last made a long speech repeating the points made in the Soviet Government's statement of August 9th.

3. M. Pineau (France) in contesting Russian allegations of bias in the composition of the conference suggested that minority would not be committed to the results of any vote as would be the case in the United Nations. After further discussion in which the Indian representative again rehearsed his views the conference accepted Chairman's proposal.

4. It was also agreed that there should be no formal agenda as invitation to the conference adequately defined the scope of discussion.

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5. Mr. Dulles spoke first in afternoon and dealt with the substance of the question. He outlined the history of the Suez Canal and firmly condemned the unilateral action of Egypt. Nasser had made it clear that his action was not merely retaliation for withdrawal of aid for the Aswan Dam but that he had been contemplating it for a long time. Mr. Dulles denied Egypt's right to nationalise Canal Company and said objective was to give practical application to 1888 Convention. He suggested four principles:-

- (i) The Canal should be operated efficiently as a free, secure, international waterway
- (ii) Its operation should be divorced from all national politics
- (iii) The legitimate rights of Egypt should be recognised and she should be assured of a fair return
- (iv) The Suez Canal Company should be paid fair compensation.

6. To achieve this he proposed the establishment by Treaty of an International Authority with responsibility for operation of Canal associated with the United Nations in which Egypt would be represented. This was not an infringement of Egyptian Sovereignty since the 1888 Treaty made it clear that the Suez Canal was an international not an Egyptian waterway. It was necessary to be flexible within limits of these proposals and Egypt's views should

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be ascertained. The basic necessity was to restore confidence in the operation of the Canal so that it could serve the vital interests of all the world.

7. The Delegate of Sweden said that signatories to the 1888 Convention had right to call such a conference. In any case there would have to have been negotiations on the Canal's future before 1968. It was wise to accept the nationalisation of the Suez Canal Company as a fait accompli even though it was a violation of the 1888 Convention provided speedy and reasonable compensation were given. The proposals already made by the Tripartite Powers forms a basis for an agreement. He suggested link with United Nations by submission to General Assembly of eventual agreement and provision as necessary for its revision through United Nations to whom Canal authority would send annual reports.

8. The Delegate of Portugal agreed with Mr. Dulles' statement.

9. The Delegate of Italy hoped Egypt would accept a proposal from the conference and reserved right to comment later on Tripartite proposal for an International Authority.

10. The Delegate of Indonesia said that most treaties concluded between the Western Powers and Asian countries were now out of date. He considered Canal Company was Egyptian. Egypt could guarantee efficient operation of the Canal in future since this was in her own interests.

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COMMONWEALTH RELATIONS OFFICE MEMORANDUM,  
DATED 17th AUGUST, 1956.



RESTRICTED

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COMMONWEALTH RELATIONS OFFICE MEMORANDUM,  
DATED 17th AUGUST, 1956.



*M. Billington*

SHA.

**INWARD CABLEGRAM.**

PRESS

Dated: 18th August, 1956.

FROM:

2205  
Recd.: 19th August, 1956.  
0940

Australian High Commission,  
LONDON.

2250.

UNCLASSIFIED.

From External.

Suez Conference.

Following is a full summary of the Prime Minister's statement this afternoon. Begins:

"I hope in what I say this afternoon to follow the excellent example, set by those who have already spoken, of considering this vastly important problem with moderation and restraint.

I was greatly impressed by the appeal made by the representative of Turkey for the absence of emotion or prejudice and on that point I may perhaps be allowed to say that in the many publications I have seen in the last few days, I have noticed the disposition to talk about nations East of Suez and nations West of Suez as if they had interests which were antagonistic to the interests of each other. That I venture to describe as deplorable. The truth is we all have a common interest in having a free, open, competently managed and ever improving Suez Canal.

I speak for Australia, one of the nations East of the Suez, and in common with our colleague countries who are here, we have very large trade through the Canal and as all the countries East of the Suez grow in the national development and economic strength and trade they will have an increasing share of the traffic through the Canal. Indeed looking a long way into the future and perhaps not such a very long way, it may very well be the countries East of the Suez will have the dominating share of traffic through the Canal. Therefore to create artificial grounds of debate between countries East and countries West seems to me a very grave disservice.

Representative of the Soviet Union agreed, as I understood him, that there should be guaranteed freedom in the Canal. That seemed to me to give us good initial common ground from which we could proceed to consider the vital question of how this freedom is to be guaranteed and that is not merely a matter of legal concept but a matter of practical working.

How do we in fact see to it that freedom of the Canal is guaranteed? I venture to remark no international guarantee, if one thinks of guarantee in terms of words written on a piece of paper, can be useful unless it can be made effective and the effectiveness of the guarantee is the essential practical problem. The best practical means by which the guarantee can be made effective is that the Canal should have competent and impartial administration. Without this, despite any guarantee, it may fall into such disrepair as will seriously reduce its capacity.

I want to emphasise that point. This Canal is literally a going concern. It must constantly be kept in good shape and in good repair. It will, judging by the present

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I. 10984.  
**INWARD CABLEGRAM.**

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saturation of traffic, need to be extended. It may have to be duplicated. Those are aspects of this matter which we cannot ignore if we are to consider the effectiveness of the statement that the Canal is at all times to be kept open as an effective and efficient waterway.

There is another practical consideration behind any guarantee. Administration of the Canal should have the confidence of other nations, because the confidence of all the nations involved in this problem seems to me to be the one thing that can lead to the adequate future financial provision for Canal works, Canal maintenance and Canal development.

I believe that aspect is one that we will ignore at our peril.

It seems to me to be questionable to say that Egypt is not to be hindered in the exercise of her sovereign rights. What are these sovereign rights? We all have them. We are all profoundly attached to them. I would not have thought we needed to argue too much about the existence of our own sovereign rights but do our sovereign rights entitle us to repudiate any international agreement because, if they do then we are wasting our time trying to find agreement. The fact is that nations enter into international treaties because they have sovereign rights. That is the whole foundation of negotiation. They are giving effect to their sovereign rights by deciding what they shall or shall not agree to do.

Everybody concedes the vital international significance of this Canal. The head of the Egyptian Government does not himself, at any rate, at this time deny it. What we have to determine is therefore not the academic question about sovereignty but whether by accepting the position created by Egypt's action we are all, as users of the Canal, to enjoy the privilege of users merely on sufferance and whether we should be willing to put the whole economic future of our own nations into the hands of one nation or of one man.

I add this consideration. The people who in the long run are affected by the advantages of an open Canal or the disadvantages of an uncertain one are the ordinary people of our countries. I have no disposition whatever, on behalf of my own country, to submit my own people to all the chances and uncertainties that would arise from having their immense trading interests through this Canal made subject to whim of the moment to the judgement of one country or to the judgement of one man.

With all these considerations in mind I say our task is to seek a solution which first of all recognises Egypt's legitimate territorial rights. Second to preserve the status of the Canal as an assured international waterway conducted in international interests and not for purely national, political or economic gain. That I submit represents the true and precise nature of our task.

On this matter I listened to the speech of Mr. Dulles. We have to consider his proposals in the light of the tests that I have just ventured to put before this conference.

I do not propose to argue the legal question of whether Egypt had the right to terminate the concession granted to the Company and to take over its property and operations.

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## INWARD CABLEGRAM. I.10984.

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For myself, I believe the longstanding contract with the Company and its intimate association with the 1888 Convention possessed an international quality which excluded it from nationalisation.

But that does not matter for the purposes of the present debate. The deed has been done, or at least partly done, because the shareholders have not yet been paid out and the proposals therefore by Mr. Dulles proceeded on the assumption that in the making of settlement the act of nationalisation was not to be revoked. That is important. We do not engage in legal discussions which might turn out to be completely fruitless. So I agree with that position. I believe the problem is of the future and we ought to work out a safe settlement of the future problem in the light of practical circumstances and having regard to past facts and past actions. If the conference fails quite plainly the harmony of the world will be left in jeopardy. If conference succeeds then every nation in the world, including Egypt, will secure peaceful advantages. Therefore, I have approached this matter from this point of view: in order to get out of this conference a coherent body of world opinion behind the proposals, those proposals should be intrinsically fair and reasonable. I am therefore going to concentrate my attention on the advantage to be derived on both sides, if by making an arrangement along the lines indicated by the United States.

What are the advantages? That management and control which cannot be separated from financial responsibility will be in the hands of an international Board on which Egypt will, of course, be properly represented.

I do not believe you can put management and control of a great operation of this kind into one set of hands and put the financial responsibilities and authority into another set of hands, that is the guaranteed system I would have thought for producing disputes in the future. Therefore it ought to be in one set of hands; and that a set of hands the fingers of which represent a variety of nations with no dominant interest in the possession of any one nation. To do that we will require to have efficient and impartial management and future development and expansion.

Second, if as a result of some further discussion these proposals are accepted and embodied in a treaty then I believe such a treaty when put into association with United Nations would itself tend to operate against any future breach of the arrangement, because that breach would be a clear breach of International Law.

Up to that point there will be a great deal of agreement, I think. But I detect occasionally an undercurrent of feeling that in some way this is unfair to Egypt, but I am going to ask this conference to see that this proposal by Mr. Dulles is, in fact, eminently fair to Egypt and that Egypt will get from this matter some advantages which deserve to be understood in particular by Egypt.

First, these proposals recognise the termination of the existing Canal Company so that if there is to be an argument about nationalisation the point is conceded - the Canal Company is taken over.

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INWARD CABLEGRAM.

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Second, there may be the feeling in Egypt that it is wrong for private citizens to be drawing profits from an international waterway. All right; under this plan there will not be any private profits; there will be international control and financing. The only substantial sum of money going to any nation will be the amount of money paid to Egypt herself as the territorial owner of the Canal and its works; so that private profit disappears from this matter.

Third, Egypt's sovereignty and physical ownership are recognised by this proposal. Fourth, there will be paid to Egypt an equitable return perhaps by way of rental fees or dues and that obviously must be a very substantial sum of money. I am rather attracted by the idea that the right setup would be for Egypt, as owner, to grant to the new authority perpetual lease under which it would pay a rental adjusted from time to time as the business of Canal grows.

Fifth, under this proposal the new authority conducting the Canal and conducting its financial operations would make arrangements for buying out shareholders. If that does not present some advantage to Egypt I will be much surprised.

Sixth, the financial future of this Canal as a revenue earner would be assured by the setting up of an international authority and Egypt would in consequence, be relieved of future financial liabilities of an unknown but obviously very extensive kind. The Canal involves engineering skill, business organisation, traffic control of the highest possible order. If it is to be carried out effectively it will obviously require in future large capital amounts in order that it may growingly serve its purpose. Is Egypt alone in the events that have happened likely to be able to manage that financial problem? Capital runs away very rapidly if it feels a loss of confidence. Events in respect of Suez have made it almost a certainty that future capital expansion of the Canal, to say nothing of the maintenance of its ordinary revenue, will depend on how far there is genuine confidence in its future. Only international management will produce a complete feeling of confidence in its independent future.

When I began to analyse these things for myself I almost came to the conclusion that Egypt was getting rather too much out of this deal. But I do not mind because I believe the proposals ought to stand in world opinion as reasonable proposals which protect the vital interests of all of us and at the same time are not tyrannical or unjust to Egypt.

I do not doubt that the more these proposals are examined the more world opinion will say they represent fair and indeed generous treatment for Egypt, necessary justice for the other nations of the world and that this represents a statesmanlike conclusion. Because, after all, we did not produce this crisis. We did not make this conference necessary. We have come here because of what one country has done.

I believe if we accept the proposals we will have made a first class contribution to the settlement of the problem and to the whole future peace and intercourse of the world."

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DEPARTMENT OF EXTERNAL AFFAIRS.

**INWARD CABLEGRAM.**

I-10984.

- 5 -

A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE  
A/MIN. & DEPT. TRADE (C)  
TREAS. & TREASURY  
MIN. & DEPT. S. & T.  
P.M.'s

19th August, 1956.

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162/4/7/3/3

A.B.C. NEWS - SUNDAY, 19th AUGUST, 1956.

Mr. Menzies was one of the principal speakers at yesterday's session of the London conference. He said the task of the conference was to seek not a rhetorical solution but one which recognized Egypt's legitimate territorial rights and preserved the status of the Canal as an assured international waterway. He described the proposals put forward by Mr. Dulles as eminently fair to Egypt. First, they recognized the Canal Company was taken over; secondly, there would no longer be any private profit; thirdly, Egypt's legitimate rights were recognized; fourthly, Egypt would get an equitable return; fifthly, the new authority would make arrangements for paying out compensation to shareholders; and sixthly, the final future of the Canal would be assured by setting up an international authority. Mr. Menzies emphasized there must be a complete feeling of confidence in the Canal's independent future, in the impartiality of its administration, and in the fact that a large number of nations had an interest in maintaining it, keeping it out of politics, keeping it out of wars, keeping it out of disputes and letting it serve the interests of commerce and of mankind.

Wing-Commander Sabrey, President Nasser's special envoy in London, said last night Egypt agreed that violation of free navigation through the Canal would be an act of aggression punishable by the United Nations. He told United Press that Egypt was a small power and could not afford to break international agreements, nor could she afford to lose the benefit of world public opinion. Sabrey rejected the Western proposals for an international authority to control the Canal. It would create, he said, a state within a state. Egypt would prefer to have an international agreement modernizing the 1888 convention on free navigation, and endorsed by the United Nations. Sabrey said he believed second thoughts by the Western powers had cooled the danger of the use of force in the Suez crisis.

See  
J. H. M. 11/8/56

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CONFIDENTIAL

## INWARD CABLEGRAM.

I. 10985.

ABK: OA.

Sent: 18th August, 1956.  
2140

FROM:

Recd: 19th August, 1956.  
0900Australian High Commission,  
LONDON.2252. CONFIDENTIAL.

From Tange.

Suez Canal Conference.

As will be seen from summary reports of statements by 15 countries on Thursday and Friday show 6 (to which can be added the United Kingdom, Australia and the Netherlands who have yet to speak) favouring effective control of the kind outlined by Dulles. 6 others have introduced qualifications in one form or another. Indonesia and the U.S.S.R. are arguing that a modernised treaty is sufficient. Japan was non committal. This result is by no means unsatisfactory at this stage.

2. In consultation with the Asian Delegations we are making a point of referring to the resolute attitude of the United Kingdom and the serious implications of Egyptian failure to agree to an adequate arrangement backed by the conference.

3. There has been a general recognition of the need to enter consultations with Egypt after the Conference. Ideas of establishing a small negotiating group are being discussed in the United Kingdom and American delegations.

4. There has been notable support, (from the United States among others), for linking any final arrangement with the United Nations. France suggested that it provide that any infringement of the authority would be aggression. Sweden suggested submitting the text to the General Assembly for approval.

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A/MIN & DEPT. E.A.  
MIN & DEPT. DEF.  
A/MIN & DEPT. TRADE (C)  
TREASR & TREASY  
MIN & DEPT. S. & T.  
P.M'S.

19th August, 1956.

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RESTRICTED

DEPARTMENT OF EXTERNAL AFFAIRS.

I. 10983./86.  
**INWARD CABLEGRAM.**

ABK:OA.

Sent: 18th August, 1956.  
2140.

FROM:

Recd: 19th August, 1956.  
0900

Australian High Commission,  
LONDON.

2551.

RESTRICTED.

Repeated Washington Sav. 157.

From External.

My telegram 2245.

Suez Canal Conference.

Single session this afternoon was opened by the Prime Minister's speech, full summary of which has been telegraphed. The main points from other speeches follow.

Ceylon (Correa.) Paid tribute to the Prime Minister's reasonable approach and took particular note of his suggestion that Egypt might vest the right to control the Canal in the International Board proposed by Dulles. He understood Egypt's preoccupation with Sovereign Rights which reflected perhaps exaggerated the emotionalism of newly independent countries towards the conception of sovereignty. There was need for patience and understanding to reconcile the two divergent points of view. He thought the Suez Canal Company could not be called truly International and noted that nationalisation was generally accepted as fact. He thought Egypt could carry out her obligations given sufficient world support and suggested the following as possible arrangements for operation through association between Egypt and other nations.

- (1) Leave operation in Egyptian hands in association with some suitable United Nations Body whose advice Egypt "must" take;
- (2) Allow Egypt to appoint a Board outside the United Nations and vest in it control of the Canal;
- (3) Create a Board competent to deal with a limited range of matters (including level of Dues) leaving the remaining functions in Egyptian hands.

✓ Netherlands (Luns) stressed the need for a stable system of International Rules towards which there could be no progress without observations of the existing agreements. With obvious reference to Indonesia he deprecated recent examples of unilateral denunciation of agreements which gave no cause for trust in Egypt. The Canal regime had always had an International character and the effect of Nationalisation was to bring it under the control of one country. He fully supported Dulles's proposal and underlined the importance of Norwegian concern about the need to maintain existing technical establishment unimpaired. 295

Ethiopia (Habtewold.) Egyptian feelings should not be wounded nor rights prejudiced. Nevertheless the Canal was of great International importance and he acknowledged the need for some kind of Board. He could not be more specific until the

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/ conference had



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DEPARTMENT OF EXTERNAL AFFAIRS.

- 2 -

I. 10983/86.

**INWARD CABLEGRAM.**

conference had discussed the proposals in more detail.

Pakistan (Hamidul Huq) Egyptian right to nationalise could not be challenged but neither could International interest in the efficiency and conduct of Canal operation. Nationalisation has shaken confidence among user nations of whom those represented at conference own 70% of the goods passing through the Canal. He made three suggestions -

- (1) Nationalisation should be accepted as a fait accompli;
- (2) Effective machinery should be set up in collaboration with Egypt.
- (3) A committee should be appointed to negotiate with Egypt and report back to the conference.

United Kingdom (Lloyd). The cordial and restrained atmosphere of the conference, while he greatly welcomed it, must not obscure the fact that a dangerous situation had arisen. Egyptian methods in taking over the Canal had suggested that anything might happen and had necessitated the precautionary steps taken by the United Kingdom which however firmly desired a peaceful settlement. The talk of infringement of Egyptian sovereignty was based on the misconception of the meaning of sovereignty under International Law. The entire conference including the Soviet Union had recognised that there should be some International arrangement which took account of Egyptian rights. It was Nasser's avowed purpose in nationalising the Canal that had caused the crisis. Ingredients for satisfactory solution were -

- (1) Proper treatment for shareholders.
- (2) Any future regime for the Canal must command the confidence of technical personnel, including pilots, who were at present remaining at posts only because so requested by the United Kingdom and France.
- (3) The Canal must be freed from politics. He hoped the conference could agree unanimously to the declaration of principles which would not infringe Egyptian sovereignty or interfere in Egypt's domestic jurisdiction since the principles would relate only to matters covered by the 1888 convention to which Egypt had consented. He could not agree with the Soviet delegate that a further conference was desirable. This conference could formulate principles and might then decide on how best to communicate them to the Egyptian Government.

A/MIN & DEPT. E.A.  
MIN & DEPT. DEF.  
A/MIN & DEPT. TRADE (C)  
TREASUR & TREASURY  
MIN & DEPT. S. & T.  
P.M.'S.

19th August, 1956.

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DEPARTMENT OF EXTERNAL AFFAIRS.

ABK:SHA

CABLEGRAM. I. 10953/4/5.

FROM:

Australian High Commission,  
LONDON.

Dated: 18th August, 1956.  
0127  
Recd.: 18th August, 1956.  
1210

2245. CONFIDENTIAL.

156. Addressed Canberra, repeated Savingram Washington

From External.

My 2234. Suez Canal Conference.

Following are the main points from speeches at today's two sessions.

France (Pineau). Despite the provocation given by Nasser, France was anxious for a peaceful settlement. Approval given in some countries for Nasser's method of nationalisation was based clearly on political not legal grounds. The Suez Canal Company had been established under French law with special status that the Egyptians themselves have recognised in many agreements up to last June. Egypt had the right to nationalise installations in its own territories but acknowledgement of the right to nationalise the Company in full would allow Switzerland to nationalise the Bank of International Settlement merely because headquarters were in Swiss territory. Nasser's action jeopardised plans, (including the Pineau plan to which he was wedded), for assistance to under-developed countries. Refusal to accept United Nations decision on the blockade of Israel shipping showed that Nasser could well use the same discriminatory technique against other countries. No physical possibility of financing the Aswan Dam without greatly increasing Canal dues. Operation should be retained in international hands in the interests of efficiency. Proposed international authority which must be non-profit making, (to the financial advantage of Egypt), should be associated with the United Nations in some way. Questions of damage to Nasser's prestige and possible use of force were not germane to this conference. The interests of Eastern and Western countries in this matter were fundamentally identical; ethics should be also.

Norway (Lange). Happy that peaceful solution was the common purpose. Essential requirements were freedom of passage without discrimination and efficient operation and maintenance. The common interest lay in retaining the services of existing personnel. Nasser's action undermined international confidence and prejudiced investment in the area. The Canal must not become the political interest of any one country. Any international arrangement must recognise legitimate Egyptian interests and should be linked with the United Nations, (Norway subscribed to the three power principles which could be applied flexibly), and reserved the right to comment later on any concrete proposals.

Soviet Union (Shepilov). Egypt was fully entitled to nationalise the Canal. Other countries, (France, Britain and Mexico), have nationalised enterprises having foreign capital. International control of the Canal was anachronism; large shipping and aviation companies today performed

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DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM. I.10953/4/5.

- 2 -

X equally international function. The Canal had not been run for Egyptian benefit and the Company had not used funds ostensibly allocated for development. Nevertheless while Canal was undoubtedly Egyptian, other countries had great interest in free transit through it, particularly Britain and France, but also Russia, which had plans for increased trade with Eastern countries. But Russia could not agree to any attempt to impose control system by foreign powers as outlined in Dulles' proposals which took no account of legitimate Egyptian requirements. International control would mean recreation of the Suez Canal Company under another guise with greater powers. The use of force against Egypt would mean violation of Middle Eastern peace and might lead to extension of the conflict outside the area. It would be opposed to "opinion of great majority of mankind" and what advantage would it offer to Britain or France? Agreement on safeguards for free transit should be reached with Egypt through "economic co-operation to material advantage". The 1888 Convention should be supplemented by a new agreement based on United Nations principles and observance of Egyptian rights under which Egypt would assume obligations to maintain efficient navigation of the Canal without discrimination. A further conference should be held to elaborate any acceptable general principles emerging from this conference and should be preceded by preparatory commission consisting of Egypt, the United States, India, the United Kingdom, France and the U.S.S.R.

? Germany (Von Brentano). Free passage of the Canal should be guaranteed by international agreement based on the 1888 Convention. He noted that Egypt supported the idea of a new Convention. Some form of "institutional safeguards" was desirable provided they did not violate legitimate Egyptian rights. Any new arrangement should be associated with the United Nations but not too closely. The settlement to be aimed for should be in the spirit of the Three Power proposals.

✓ New Zealand (Macdonald). Egypt's defiance of the Security Council on the Israel shipping ban destroyed any faith in assurances of non-discrimination against other countries. Nationalisation might not be illegal but was immoral. Nasser's recent references to the Company must be contrasted with those of two years ago. New Zealand's requirements would be met by the Three Power proposals. Egypt had already drawn great wealth from the Canal which was an expanding asset and acceptance of the proposed arrangement would be beneficial to the Egyptian people whose material welfare New Zealand wanted to see increase.

? Japan (Shigemitsu). There was need for meeting demands between the Orient and the Occident. Western concern was understandable but there must be conciliation and compromise in dispassionate and constructive atmosphere. These were general observations pending the outcome of further deliberations.

✓ Denmark (Hansen). The Danish people and particularly shipowners, hoped all the parties including Egypt could agree that arrangement for international management would give basic assurance of secure and uninterrupted transit. Supported Dulles' proposals in principle and hoped for Egyptian co-operation. Any agreement reached here should be associated with the United Nations which might provide umbrella for detailed negotiations to follow.

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CABLEGRAM. I.10953/4/5.

- 3 -

Turkey (Birgi). Even Egypt agrees on the essentially international character of the Canal. Nasser did not warn even his Arab League partners of intention to nationalise. Right to nationalise was not the main question provided recognised methods were followed and undertakings honoured which did not apply in this case. Doubt had arisen from political and emotional considerations allegedly affecting the prestige of Egypt and other Islamic States. Impartial and international system necessary to guarantee freedom of transit would not infringe Egyptian sovereignty which, like that of any other nation, was already limited to some extent by international agreements freely entered into.

Spain (Artajo). After a somewhat obscure argument apparently designed to limit the area of international interest in the Canal he put forward own proposals on the following lines:

- (i) Provisions of the 1888 Convention should be brought up to date urgently;
- (ii) Any new regime must recognise Egyptian sovereign rights and right to exploit the Canal;
- (iii) Management should be placed in the hands of an Egyptian Board of Directors including representatives of the principal user nations which should ensure control of dues and maintenance of technical efficiency. Any difficulties arising could be settled by the United Nations.

Iran (Ardalan). Settlement should be reached but peaceful means. Nationalisation had been a legitimate act by international interests should be protected and Iran would support international system which recognised Egypt's legitimate rights. Dulles' principles provide basis, and other suggestions already made should be taken into account including particularly Sweden's. Talk of the use of force served to increase tension and he was glad to note Eden's assurance that the United Kingdom was not seeking solution by force.

A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE  
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TREAS. & TREASURY  
MIN. & DEPT. S. & T.  
P.M.'s

19th August, 1956.

SEC A/Ss L&T(DIV 5) UN ER CR PAC&AM EA AM&SP S&SEA SA SEA EAF&ME  
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## INWARD TELEGRAM

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INFORMATION  
COPY

FROM: High Commissioner for New Zealand, London.  
TO: Minister of External Affairs, Wellington. Press.  
D: 17 August 1956 R: 18 August 1956  
22.37 12.30 Press.

Pineau, for France, said mere international control of Canal would involve:

- (a) inefficiency owing to international authority's lack of effective power;
- (b) difficulty of arbitrating in event of conflict between controlling authority and Egyptian management;
- (c) inability of controlling authority to ensure application of its decisions.

He accordingly supported system of international management by principal users of Canal and countries concerned including Egypt. Support for international system on substantially this basis was announced by Federal Germany, Denmark, Turkey, Iran and New Zealand.

Spain suggested revision of the 1888 Convention in the light of modern conditions and proposed:

- (1) inclusion of representatives of principal users of Canal on Board of Directors of Egyptian Canal Company;
- (2) establishment of committee representing users of Canal to deal with complaints;
- (3) use of United Nations as higher court of appeal.

The U.S.S.R. opposed the establishment of an international regime as an intrusion on Egyptian sovereignty and advocated formal reaffirmation by Egypt of assurances concerning respect for principles of 1888 Convention.

(sgd) DEPUTY

(H. 6740)

The Prime Minister  
Acting Minister of External Affairs  
Secretary of External Affairs  
Director of Information Services.

For your information,  
Secretary of External Affairs.  
18.8.56.

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INWARD TELEGRAM

FROM: High Commissioner for New Zealand, London  
TO: Minister of External Affairs, Wellington  
D: 17 August 1956 R: 18 August 1956  
13.30  
(PRESS)

SUEZ CANAL

The following is statement made by Minister at Suez Canal Conference, London, Friday 17 August. BEGINS:

I hope it will not seem out of place to speak of intangibles like confidence and trust at a conference which centres upon something very tangible, the Suez Canal: something which vitally affects the lives of hundreds of millions of men and women. But these intangibles: confidence and trust, are at the heart of the issue before this Conference, and we shall ignore them at our peril. International confidence has been seriously shaken, in great degree it depends upon those countries represented here whether confidence among nations is to be restored or whether with possibly disastrous consequences, it is to remain disturbed. In still greater degree it depends upon Egypt. The international interest in the Suez Canal is generally admitted. Colonel Nasser himself has acknowledged it.

This Conference will be considering various proposals for giving practical expression to this international interest. Some proposals will doubtless provide for fairly stringent international control and guarantees, others for a looser supervisory system. Obviously the looser the system the greater the need for confidence and trust. Equally obviously if trust is non-existent we can hardly be content with vague assurances and a loose system. In considering each proposal we shall not be able to avoid, nor should we avoid, considering the amount of trust in Egypt which it implies, and in considering each proposal, in estimating whether it will work in practice, we must keep in mind the history of this problem: we must invoke the experience of the past as a guide to what we may expect in the future. We cannot leave aside the question of trust. We must not consider this problem in the abstract. I shall begin by invoking one example from history which high-lights this vital question of trust.

On 1 September, 1951, the Security Council adopted a Resolution, the language of which is especially relevant to our discussions here. It stated that the restrictions applied by Egypt against shipping to Israel were "an abuse of the right of visit search and seizure". It stated also that "these restrictions together with sanctions applied by Egypt to certain ships which have visited Israeli ports represent unjustified interference with the rights of nations to navigate the seas and to trade freely with one another, including the Arab states and Israel". Accordingly the Security Council called upon Egypt "to terminate the restrictions on passage of international commercial shipping

(H.6749)



and goods through the Suez Canal wherever bound and to cease all interference with such shipping beyond that essential to the safety of shipping in the Canal itself and to the observation of the international conventions in force". Egypt did not then obey the Security Council's Resolution and has not obeyed it since. It has continued to prevent free passage through the Suez Canal of shipping bound to or from Israel. To my mind the significance of this fact is clear, despite Colonel Nasser's declarations of willingness to abide by the 1888 Convention there can be no assurance that he would not, in pursuit of some national interest or in prosecution of some private grievance, discriminate against the shipping of other countries as he discriminates today against that of Israel.

This example from history has a clear bearing upon the question of trust. It provides a warning and a guide, it is an example, the significance of which becomes all the greater in the light of recent events. The Egyptian Government, at least one of the delegates who spoke yesterday and Mr Shepilov today, have expressed surprise at the alarm aroused by what they claim to be an essentially innocent act - the nationalization of the Suez Canal Company.

Now it is true that the right of a sovereign state to nationalize assets within its domestic competence is widely recognized. It may be that a case can be made on purely legal grounds in defence of nationalization of the Suez Canal Company, though the true merits of such a case may not be established until Egypt honourably fulfils its offer to pay compensation - for international law seems to require that compensation be prompt, adequate and effective. But even assuming that the legality of the act of nationalization were upheld, one is still forced to observe that an act may not be illegal - especially in a field so ill-defined as international law - but can still be immoral. The international community is entitled to expect that certain standards of conduct shall be maintained. It is so entitled in even greater degree when those standards of conduct have been embodied and endorsed in an international instrument like the United Nations Charter, and it is in this respect that the Egyptian Government has been conspicuously at fault.

The significance of Colonel Nasser's announcement concerning nationalization of the universal Suez Canal Company did not lie solely in the fact that it affected an enterprise of international character; established as the word universal indicates, free from national bias; developed with international skill and resources; and maintained and operated internationally. There were other distinctive features - the flamboyance and bitterness with which the decision was announced; the lack of warning; the failure to consult even neighbour states of the Middle East; the application of military measures in the Canal Zone; and the threats of imprisonment to Company employees should they seek to leave the Company's service, and over and above all this was the unmistakable note of menace; the threat of manipulation for national purposes of an economic agency of vital concern to at least half the



countries of the world. I think it is significant - and again an element to be considered as we assess the amount of trust to be placed in Egyptian assurances - that in the period since 26 July Colonel Nasser has given several explanations of the decision to nationalize the Company.

In the first place, as Mr Dulles pointed out yesterday, it was explained as closely related to recent developments over the provision of finance for the High Aswan Dam. Later it was declared to have been contemplated long ago and therefore presumably was not merely an act of retaliation for the withdrawal of British and American financial assistance. Still later it was explained that nationalization was made necessary by the shortcomings and transgressions of the Suez Canal Company itself. "The Canal Company sucked Egypt's blood" it was said "and conspired against her liberty and independence". How that could be when, by building the Canal, the Company turned an area of sand and salt lakes into a revenue-producing asset which brought trade to Egypt and quickened the flow of commerce between other countries is certainly not clear. Criticism of the Company in such hostile terms conflicts markedly with what Colonel Nasser himself had to say of the Company less than two years ago when he talked of its good relations with the Egyptian Government and of its confidence in the Company's attitude. It conflicts markedly too, with the generally accepted view of the Company's conduct which is that it provided an administration of admirable technical competence respectful of the rights of international transit. "From both these points of view" it has been said "the Company has been beyond reproach. In its relations with shipping firms it has always . . . . tended to behave less like a commercial enterprise than like a public service".

Two points emerge I think from a survey of the Egyptian Government's successive explanations of its action; first it was a decision taken without full regard for the consequence; second it was directed against something external to Egypt - the United States, the United Kingdom or the Suez Canal Company. It is important, I suggest, that these points be kept in mind when we consider Egypt's recent offer of guarantees concerning freedom of navigation through the Suez Canal. It is essential that they be kept in mind when substantive proposals are placed before us.

The New Zealand Government has welcomed the opportunity to assist at this Conference. We consider imperative the establishment of a system for the Suez Canal which will ensure for ever against its arbitrary misuse. Such a system must, in our view, be on an international basis. It should be able to assure free transit of the Canal; it should be efficient; and it should not be subject to financial instability. All these conditions appear likely to be substantially satisfied by the three-Power proposals submitted to all delegations invited to this Conference. We fully acknowledge that Egypt should enjoy a generous measure of responsibilities and advantages within the international system and we intend to pay attention to that aspect of the three-Power proposals when they are examined in greater detail than has been possible so far. I wish to emphasize that New Zealand's support for a soundly based international system in the Suez Canal is

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not accorded without regard for the interests of the Egyptian people. New Zealand forces fought in and near Egypt in two wars, often close to the Suez Canal itself and in that time many of them gained an understanding of Egypt's problems and were acquainted with its people. I do not wish to labour this point but there are few of us who have seen the fellaheen at work in the fields of the Nile Delta who would not wish with all sincerity to see their skill and unremitting industry fittingly rewarded. To me, as a New Zealand farmer, there was fascination in the sight of desert areas on the fringe of the Delta being brought into a state of production as water became available and cultivation was extended.

The Suez Canal itself has led to a great enrichment of Egypt and its people. An area which was once barren desert with a few salt lakes has been made to yield great wealth. I can understand that a people on achieving independence might well have reason to annul agreements made in past colonial days which cramp their present capacity to prosper. But the Suez Canal was a constantly expanding asset to Egypt. Its value derived from its international character; and its increasing contribution to the enrichment of Egypt, grew out of the confidence of the nations of the world that they would have assured use of it. By attempting to destroy the international character of the operation of the Canal and in thus undermining the international confidence on which the steady expansion of trade through the Canal was based, Colonel Nasser has taken the risk of jeopardizing his people's prosperity.

Clearly the outcome of our deliberations here may have a decisive effect upon the future fortunes of the Egyptian people. If this Conference is unable to influence a situation in which Egypt's rulers have the power to strangle the economic life of other countries then the fortunes of the Egyptian people as they are dragged into new international adventures may be wretched in the extreme. If on the other hand the Conference is able to assist in the application to the Suez Canal of a soundly based international system, ensuring that the Canal is efficiently operated and that ships and cargoes of all countries continue to enjoy free and unrestricted passage through it, then the benefits to the Egyptian people will be great and assured.

To me the choice is clear. As I said at the beginning of my remarks, the problem before us is one of confidence. Damage has been done, but we and Egypt still have the opportunity to repair it. ENDS.

(Signed) DEPUTY

(H.6749)

286

Prime Minister  
Acting Minister of External Affairs  
Secretary of External Affairs  
Director of Information Services

19.8.56



## OUTWARD TELEGRAM

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INFORMATION  
COPY

FROM: Minister of External Affairs, Wellington  
TO: High Commissioner for New Zealand, London No.1034  
REPEATED: New Zealand Ambassador, Washington No.221  
D: 16 August 1956 20,00

No.1034 SECRET  
etc.

For Macdonald from Algie.

### SUEZ CANAL

Reference Munro's telegram 170 from New York.

Government's present position is as indicated to you by Prime Minister, namely, full support of United Kingdom. Your reports and recommendations as the Conference proceeds will determine the way Government's thinking develops. Setting aside the possibility of a unilateral decision by the United Kingdom to take extreme measures, we assume that Conference will attempt to negotiate a compromise somewhere between present United Kingdom/French and Egyptian positions. Paragraph 4 of our 1009 suggests the criteria which would be acceptable to us.

2. As suggested in your 1112, consideration is being given to implications for New Zealand of possible involvement in military action which might be brought before Security Council. We have asked Munro for his comments.

For Washington only: For Munro

Following is Mr Macdonald's comment regarding possible United Nations action on which we should appreciate your views: BEGINS:

It will probably not be possible to reconcile direct Anglo French action against Egypt with United Nations Charter. Our declaration of support for Britain is of course firm. I suggest however that as preparatory step some consideration should be given to implications for New Zealand (especially within United Nations) of involvement in military action which may be brought before Security Council as an act of aggression. ENDS.

(Signed) EXTERNAL

(H.6687)

Prime Minister  
Acting Minister of External Affairs  
Secretary of External Affairs

17,8.56

SECRET



# INWARD TELEGRAM

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INFORMATION  
COPY

FROM: High Commissioner for New Zealand, London  
TO: Minister of External Affairs, Wellington No.1122  
D: 16 August 1956 R: 17 August 1956  
22.00 12.00

No.1122 CONFIDENTIAL PRIORITY  
SUEZ CANAL CONFERENCE

Informal discussions among delegations on United Kingdom draft rules of procedure and agenda had indicated that India and U.S.S.R. would object to reference to any form of voting and to adoption of agenda referring to possible establishment of an international Suez Canal system. When Conference opened Lloyd, as chairman averted procedural wrangle by not submitting draft rules for adoption and undertaking to be guided by United Nations rules. It was decided to proceed without an agenda and to leave question of voting for later determination.

Dulles after references to international importance of Suez Canal quoted effectively from Nasser's pronouncements to indicate danger that Egypt would exploit control of Canal for political purposes. He said that by reason of its international character Canal was last place where any country should seek to promote national ends; questioned sincerity of Nasser's promises concerning equitable management of Canal and said point had been reached at which international community should determine what remedial action should be taken. He said United States questioned Egypt's legal right unilaterally to take action nationalizing Canal Company. Concession could not however now be restored and Conference must seek solution in accordance with 1888 Convention. Solution should satisfy following principles:

- (a) efficient operation of Canal as free waterway,
- (b) divorce of operation of Canal from national politics,
- (c) satisfaction of Egypt's legitimate rights,
- (d) fair compensation.

In practice this would demand:

- (1) creation of an international board established by treaty associated with United Nations and so composed as to include Egypt and to operate in favour of rather than against users of Canal,
- (2) financial arrangements ensuring equitable return for Egypt,
- (3) fair compensation,

(H.6703)

CONFIDENTIAL

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C O N F I D E N T I A L

2.

- (4) an arbitral commission to settle disputes over (2) and (3).

Sweden supported three-Power proposals but suggested that they be linked to United Nations in such ways as submission to General Assembly for approval and provision for annual reports to General Assembly or ECOSOC.

Indonesia referred to need for revision of international undertakings which were out of date expressed sympathy for Egypt's action as designed to serve interests of Egyptian people and indicated confidence in Egypt's promises.

Conference is to meet twice daily and is closed to the press.

(Signed) DEPUTY

(H.66

(H.6703)

Prime Minister  
Acting Minister of External Affairs  
Secretary of External Affairs

17.8.56

C O N F I D E N T I A L

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## INWARD TELEGRAM

[This document is the property of Her Majesty's Government in New Zealand]

FROM: New Zealand Minister, Paris  
TO: Minister of External Affairs, Wellington No.2 Sav.  
REPEATED: New Zealand Ambassador, Washington No.3 Sav.  
High Commissioner for New Zealand, London (safchand)  
D: 10 August 1956 R: 17 August 1956

### No.2 SAVING CONFIDENTIAL

#### SUEZ CANAL

No important change in French reactions to date. Considerable disquiet for some days over United States tepidity, but Eisenhower's admission welcomed that use of force could not in all circumstances be excluded, also firm tone of Eden's broadcast of yesterday.

2. Fundamentally France is less fire-eating than some utterances might suggest. Idea that there could be any immediate forceful reaction to Nasser appears to be receding. "Le Monde", which has been uncommonly forthright in disapproval of Nasser's action, concludes today that the only way to avoid the use of force is to "incite Nasser to conciliation and reason by the unanimous adoption in London of a plan of internationalization". This is different from the earlier "Nasser must go" attitude of much of the press.

3. The greatest emphasis is placed here on the need for full international day to day administration (Gestion) of the Canal, not mere control. France's position differs from United Kingdom's in that she is more concerned with the immediate future, having a sore spot which a Nasser setback would at once relieve, a Nasser victory seriously aggravate. The communications aspect is, of course, of greater concern to the United Kingdom. Both are similar in their dependence upon Canal carried oil, and in their responsibility for the working of the Canal. France also does not forget de Lesseps. "Egypt is a country which no one would hear of nowadays if France had not built a Canal there". (Paul Reynauld).

4. Jebb today contrasted certainty of French division (30% Communists, even if non-Communist unanimity held) with virtual unanimity in United Kingdom if driven to measures which most of Labour Party would approve. Incidentally he does not think (and this is fairly obvious) that Anglo-French military measures not provoked by some new action of Nasser could square with the Charter, though he did not seem to exclude such action.

5. Spanish Ambassador returning my formal call was strong on hopelessness and indeed needlessness of resisting Nasser. Suggested Canal was of little importance to New Zealand because we used chiefly the Cape route (I disabused him). He explained in a kind of detached way how much easier it was to stop traffic through the Suez Canal than through the Straits of Gibraltar.

(H.6705)

(Signed) KOWHAI

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CONFIDENTIAL



## INWARD TELEGRAM

[This document is the property of Her Majesty's Government in New Zealand]

INFORMATION  
COPY

FROM: New Zealand Ambassador, Washington  
TO: Minister of External Affairs, Wellington No.257  
REPEATED: High Commissioner for New Zealand, London No.30  
D: 16 August 1956  
17.30  
R: 17 August 1956  
15.15

No.257 SECRET  
etc.

From Munro.

### SUEZ CANAL

1. Eban (Israel) called today to express his country's views, to us in particular because of our intervention in the Security Council in 1954.
2. Israel still favoured a reference to the Security Council of the present problem, especially as Egypt was already in breach of the Convention, and the 1951 Resolution condemned such breaches in general and not solely the blockade against Israel. Eban cited with approval Canada's predilection for action under the aegis of the United Nations. He said it appeared to him that the Charter did not sanction force against an apprehended danger.
3. While his Government did not contemplate at present any action testing the Egyptian blockade, he thought that a situation was bound to arise, in some form or another, possibly as the result of the Egyptians stopping British or French ships seeking to convey cargoes to Elath, whereby the right of free passage would be put in issue. Such a development would give the West a better justification for use of force than the present situation.
4. His Government was not taking publicly any action in the crisis but as a country adjoining the Canal Zone and as one already suffering from Egypt's breach of the Convention (proof he said of Nasser's bad faith and of the likelihood of its repetition against others than Israel) Israel had a special interest. He agreed that the Arab-Israeli problem should not be imported into the present discussion.
5. He believed that if Nasser were not checked, later he would either persuade a country like Syria to seize the pipelines or more probably, because the first alternative would hurt Syria so much, launch an Egyptian attack on Israel. When I said that Nasser would surely not take so grave a risk, Eban asked who had thought Nasser would dare incur the wrath of the Great Powers by nationalizing the Canal. Nasser was forced to further adventures to retain his power.
6. Israel was discussing with the United Kingdom and United States measures to deal with the threat to the free flow of oil through the Canal: more and bigger tankers, speedy development of atomic power, a new canal through the Negev (dismissed as too costly and difficult) and finally a pipeline from Elath to Haifa. The last was feasible, would cost only \$70 million and could be constructed in a year.

(H.6707)

SECRET

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SECRET

2.

Eben did not think that Iran, once oil had left its territory, would seriously object to the destination or that Egypt would take the risk of attacking tankers en route to Elath, as this would be an attack on the interests of parties using the Red Sea and an international waterway.

7. The chief emphasis of his interview was on the advisability of using the United Nations. The Security Council was a much more favourable body to the West than the London group, which was weighted against the West. He thought the exclusion of Burma a grave mistake. Burma had expressed to Israel indignation against Nasser's action. You will know that Burma and Israel enjoy friendly relations.

(Signed) TOTARA

(H.6707)

Prime Minister  
Acting Minister of External Affairs  
Secretary of External Affairs

17.8.56

SECRET

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# INWARD TELEGRAM

[This document is the property of Her Majesty's Government in New Zealand]

INFORMATION  
COPY

FROM: New Zealand Ambassador, Washington.

TO: Secretary of External Affairs, Wellington. No. 260

D: 17 August 1956  
11.48

R: 18 August 1956  
08.30

No. 260

TOP SECRET

From McKinnon for Secretary, Chiefs of Staff.

## SUEZ

1. General Schow, Director of Intelligence, United States Army, gave me today his views listed below on Suez situation. I stress that this is a military intelligence view of a problem which is still largely political as far as United States forces are concerned.
2. He considers Nasser's prestige is so great in Arab countries today that if Britain and France take military action a wave of sabotaging will commence throughout Middle East involving the Canal itself, oil installations and pipelines. This would happen in spite of moderating influence of rulers like Ibn Saud, who stand to lose so much by interruption to disposal of oil. He did not however suggest that other Arab countries would supply Egypt with direct support in the form of military forces.
3. He even believed it possible that Iraq would support Egypt with consequent damage to Baghdad Pact.
4. Schow thought that from their knowledge of strength and training Egyptian forces, no great effort would be required to occupy the Canal zone or for that matter Egypt. Their Air Force could readily be eliminated by the bombing of a few airfields.
5. Schow took view that Israel felt this was not her time to act, particularly if the British/French intention prevails. He considered however that if Nasser looked like coming out on top Israel might take some active steps to strengthen her position against an increased threat.
6. Although Nasser at the moment is meticulous in his conduct in regard to Canal shipping, Americans feel that at any time he might commit some foolish act which will alter the whole outlook, particularly in regard to assessment of rights and wrongs.
7. Schow further said if from any cause Nasser is deposed it should not be difficult to find a successor who would adjust Egypt's policy to suit British and French demands. Such a ruler would however have utmost trouble getting popular support.
8. I gather from discussion with General Boucher, until recently DMI War Office, that Schow's view of Arab support of Egypt differs radically from the War Office one. I feel however it is a responsible view which should be passed to you.

TOP SECRET

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9. Only operational move by United States forces in relation to this crisis shown to me is that United States sixth fleet is at sea in Mediterranean with a regiment of marines embarked.

(sgd) TOTARA

(H. 6726)

Prime Minister  
Acting Minister of External Affairs  
Secretary of External Affairs  
Defence Secretariat +

18.8.56.

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TOP SECRET



## INWARD TELEGRAM

[This document is the property of Her Majesty's Government in New Zealand]

FROM: New Zealand Commissioner, Singapore.

TO: Minister of External Affairs, Wellington. No. 360

REPEATED: High Commissioner for New Zealand, London, No. 12.

D: 17 August 1956  
17.06

R: 18 August 1956  
08.45

SECRET

No. 360, etc.

### IMPLICATIONS OF SUEZ CRISIS FOR FAR EAST

1. Special meeting of BDCC held today to discuss Suez crisis and consider JIC (FE) report on subject. JIC report, copy of which follows by bag, summarizes Asian reaction to dispute but contains nothing that will not already be known to you. Annexed to report is analysis of possible action which might be taken against British interests by Asian countries. For example, India and Ceylon (which might feel obliged to leave Commonwealth) and Burma and Indonesia might all nationalize British enterprise, withdraw service and/or civil air staging facilities and deny bunkering. India might prevent Gurkhas leaving Nepal to return to their units in Malaya and Hong Kong. Ceylon might attempt immediate expulsion of United Kingdom from bases without further consultation. Indonesia might attempt to stir up trouble in Federation, Singapore and Borneo territories and boycott local trade. As far as Federation and Singapore are concerned, JIC thought an upsurge of anti-colonial feeling amongst three principal racial groups possible - Chinese following Peking, Indians taking their cue from Nehru and Malays being influenced both by Moslem loyalties and Indonesian example. Effect of this could be strikes of civil employees of armed services; strikes or boycotting in public utilities including docks and airports; industrial stoppages, civil disorders and possible disaffection amongst locally enlisted personnel in police and armed forces. It is thought that Pakistan was less likely to take any drastic action against British interests in view of SEATO and Baghdad Pact membership. Nevertheless possibilities of such action are open to her and she might in extreme circumstances feel compelled to withdraw from both treaties.

2. BDCC consider JIC report too pessimistic and somewhat lacking in objectivity in not attempting to assess probable rather than possible reaction. JIC do not feel able to make such assessment and BDCC merely noted their report and requested them to keep matter under review.

3. Only direct effects in Far East area so far of United Kingdom concentrations in Mediterranean have been:

- (a) Army. Diversion of trooping facilities and delay in replacement has resulted in reduction by two battalions. Provided hostilities are avoided FARELF expect level to be restored after movement to Middle East completed. Reserves of equipment are good and no supply difficulties are foreseen. COS FARELF stressed that Commonwealth Strategic Reserve is not affected.

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/ (b)

(H6727)

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2.

- (b) Navy. One destroyer has been despatched to join force on manoeuvres ex Trincomalee. Force is alerted for movement to Persian Gulf. No supply difficulty is anticipated unless Ceylon insists on evacuation of Trincomalee.
- (c) Air Force. Bomber Command has withdrawn Canberra detachment from Butterworth. This was stationed in Federation on three months rotation basis for tropical experience and air operations in support of emergency campaign are not greatly affected. No immediate supply difficulties although these could emerge if transport facilities through Canal were cut or substantially reduced over a prolonged period. The efficiency of radar network would fall if personnel are not relieved.

(sgd) ZEALANDIA

(H. 6727)

Prime Minister  
Acting Minister of External Affairs  
Secretary of External Affairs.

18.8.56.

SECRET

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SECRET

163/4/7/3/3.

CABLEGRAM. I. 10924.

SHA.

FROM:

Australian Commission,  
SINGAPORE.Dated: 17th August, 1956.  
1603  
Recd.: 18th August, 1956.  
0900

420.

SECRET.

Addressed Canberra, repeated London 24.

Implications of the Suez Crisis for the Far East.

BDCC decided merely to note JIC paper as adding little to the information available in London. In view of uncertainty of circumstances which could prevail JIC did not feel able to assess likelihood of particular courses of action by Asian countries in the event of hostilities in the Middle East.

2. Only direct effects in the Far East area so far of United Kingdom concentrations in the Mediterranean have been:

(a) Army - Diversion of trooping facilities and delay in replacement has resulted in reduction by 2 battalions. Provided there are no hostilities FARELF expect level to be restored after movement to Middle East has been completed. Reserves of equipment are good and no supply difficulties are foreseen. C.O.S. FARELF stressed that the Commonwealth Strategic Reserve is not affected.

(b) Navy - One destroyer has been despatched to join the force on manoeuvres ex Trincomalee. The force is alerted for movement to the Persian Gulf. No supply difficulties are anticipated unless the crisis leads the Ceylon Government to insist on the evacuation of Trincomalee.

(c) Air Force - Bomber Command has withdrawn Canberra detachment from Butterworth. This was stationed in the Federation on 3 months rotation basis for tropical experience and air operations in support of emergency campaign are not greatly affected. There are no immediate supply difficulties although these could emerge if transport facilities through the Canal were cut or substantially reduced over a prolonged period. Efficiency of the radar network would fail if personnel are not relieved.

3. Members of the Committee seemed to assume that the possibility of United Kingdom military action in the Mediterranean although very real at the time of the seizure of the Canal, has now receded.

Harry.

A/MIN. & DEPT. E.A.  
18th August, 1956.

MIN. &amp; DEPT. DEFENCE

P.M.'s

SEC A/SS DR WYNES MR LOOMES MR LANDALE MR BILLINGTON MR LAWREY  
MR LOVEDAY MR RENOUF

SECRET

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HMC:SHA

DEPARTMENT OF EXTERNAL AFFAIRS.

SECRET

163/4/7/3/3

INWARD CABLEGRAM.

Dated: 16th August, 1956.

1824

FROM:

Recd.: 17th August, 1956.

0830

Australian Commission,  
SINGAPORE.

419.

SECRET.

PRIORITY.

Addressed Canberra repeated London 23.

My telegram 418 (22 to London).

The report prepared by J.I.C. Far East surveys the present reactions of countries in South East Asia and the Far East to the Suez Canal crisis and lists possible action which could be taken by Asian countries against British interests if hostilities break.

2. The survey of the reactions adds little or nothing to reports from our own posts. The Committee concludes that in nearly all the countries of South East Asia public opinion is sympathetic to Egypt, but that support for Egypt's action mainly concerns the nationalisation of the Canal Company and that support would probably be diminished should Egypt interfere with the freedom of navigation.

3. Without assessing the likelihood of such action the committee lists the actions which Asian countries could take, e.g. India could -

- (a) withdraw air service staging facilities
- (b) refuse airport facilities to commercial aircraft
- (c) deny bunkering facilities to shipping
- (d) prevent Gurkha troops leaving Nepal
- (e) take over British enterprises in India
- (f) withdraw from the Commonwealth.

Ceylon could, in addition, attempt to expel the United Kingdom from its bases.

Indonesia could attempt to stir up trouble in Malaya, Singapore and British Borneo and boycott trade with them. In Malaya and Singapore under the influence of Peking, India and Indonesia there could be strikes, sabotage and civil disorders and possibly disaffection in the police and armed forces.

4. These consequences are certainly all theoretically possible but merely to list them serves no great purpose. I propose to suggest that the J.I.C. be asked to prepare a further paper examining the likelihood of the various possibilities. I also propose to ask the effect of military precautions already taken on the strength of United Kingdom forces in the Far East, (there has been a virtual cessation of reinforcements and replacement resulting in an early reduction by at least 2 battalions), and also to enquire about the effect on the supply situation of any interruption of traffic through the Canal.

Harry.

SECRET

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SECRET

DEPARTMENT OF EXTERNAL AFFAIRS.

**INWARD CABLEGRAM.** I.10875.

- 2 -

A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE (T/T Defence Melb.)  
P.M.'s

17th August, 1956.

SEC A/Ss L&T(DIV 5) UN ER PAC&AM AM&SP S&SEA SA EAF&ME  
E AF&ME INF DL MT C&P  
G

SECRET

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C O N F I D E N T I A L

F.A.C./INF 6/56

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Department of External Affairs - 17th August, 1956.

*Normal distribution by Inf (which includes all posts).*

*St. 21/8.*

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SUEZ CANAL.ACT OF NATIONALISATION

On 26th July, 1956, the Egyptian Government unilaterally and without notice nationalised the Suez Canal Company.

THE CONCESSIONS

The Company was formed in 1856 to operate two Concessions (text at Appendix 1) granted by the Turkish Viceroy of Egypt to de Lesseps and the Company, which he formed. The Concessions run until 1968 and only then, unless they are renewed, does ownership of the Canal pass to the Egyptian Government.

CONVENTION OF CONSTANTINOPLE, 1888

Free and unfettered use of the Canal is guaranteed by the Suez Canal Convention of 1888 (text at Appendix 2) signed by the United Kingdom, Germany, Austria-Hungary, Spain, France, Italy, Netherlands, Russia and Turkey. The Convention is still in force. It imposes a specific obligation on the Egyptian Government to uphold the "free and open" navigation of the Canal in peace and war to every vessel of commerce and of war without discrimination of flag and stipulates that obligations imposed by the Convention shall continue after the expiration of the Company's concessions.

AUSTRALIAN INTERESTS

Australian interests in the Canal may be considered under the following headings:

- (a) Proprietary: It is not known whether there are any Australian shareholders, but if there are, their holdings are not expected to amount to any substantial sum.
- (b) Strategic: The Canal is the traditional link between the United Kingdom and Europe on the one hand and South and South-East Asia and Australia on the other. It is a factor in Australian defence planning, but because of its vulnerability to nuclear attack it is doubtful whether great reliance could be placed on its use in the event of a global war. In a limited war in South-East Asia or the Far East use of the Canal would be desirable but not vital because of the alternative sea route via the Cape.
- (c) Economic: The Canal is important to Australia as the shorter and less expensive route for her trade of which approximately 60% passes through the Canal. It has been estimated that if the Canal were closed to Australia, the annual cost in increased freight charges via the Cape would be (approximately) £A.11 million. Shipping schedules would also be affected. The longer haul by way of the Cape would

/add about eight

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add about eight days on the round voyage to Melbourne and could possibly result in some shipping shortages.

Australia is also concerned to ensure that freight charges shall remain reasonable. Unreasonable dues would have the obvious effect of raising freight rates with consequential effects not only on the cost structure but also on the pattern of trade itself; by making Australian goods less competitive in overseas markets, balance of payments difficulties may be increased.

- (d) Political: Australia is interested in ensuring that the Canal shall not be exploited by any one country or a number of countries for purposes of national or foreign policy.
- (e) Oil: Australia draws heavily on Middle East supplies for her oil and oil products. In 1955, Australia imported from Middle East sources 56% of her total requirements of crude petroleum, 43% petroleum and shale spirit, 44% diesel and furnace oil and 26% kerosene. However, the bulk of these supplies are imported from the Persian Gulf area and do not have to pass through the Canal or along the Canal's pipelines. Nevertheless, a world shortage of tankers resulting from use of the longer route from the Middle east to Western Europe via the Cape could reduce oil supplied to Australia.

UNITED KINGDOM POSITION

United Kingdom interest in the present situation does not rest with the question of who controls the Canal. It is also concerned with the possible effects of Nasser's action on its general position in the Middle East. However, the question of Suez Canal control bears directly on its strategic and economic position. Roughly one third of all the oil passing through the Canal goes to the United Kingdom; this represents approximately 80% annually of Britain's oil supplies. Twenty eight per cent of all shipping which passes through the Canal is British. Control of the Canal is important, therefore, not only to British trade generally, but also to its income as a freight carrier.

ESSENTIAL SAFEGUARDS

If Australian and Western interests are to be protected, it is essential that the following principles should be upheld;

- (a) Non-discrimination:

Nasser's record is such that no reliance can be placed on his latest assurance that he will uphold freedom of navigation of the Canal as guaranteed

/ by the 1888 Convention

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by the 1888 Convention. As recently as 1954, in the Anglo-Egyptian Treaty, Egypt recognised the international importance of the Canal and expressed determination to uphold the 1888 Convention; nevertheless she has continued to discriminate against Israeli shipping and trade not only in contravention of the 1888 Convention but also in defiance of the 1951 Security Council resolution. (Text at Appendix 5)

(b) Reasonable Dues:

Egypt's avowed object in nationalising the Canal is to devote the revenues therefrom towards the cost of the Aswan High Dam project, estimated at approximately 1,350 million dollars or £Stg.480 million. At the same time Nasser has undertaken to compensate the Suez Canal Company shareholders which will involve him an expenditure of some £Stg.70 to £Stg.80 millions. He has also committed the Egyptian Government to other industrial projects which if carried out will impose a severe strain on the already strained Egyptian economy. Immediate improvements to the Canal planned by the Company will cost about £Stg.20 million while the long-term development programme to extend the Canal to meet increasing traffic needs will cost many times as much.

The net annual revenue from the Canal, after allowing for taxation and reserves (which has been accepted practice) is only some £10 million. Clearly, it will be impossible for Nasser from this revenue to build the Aswan Dam, compensate shareholders and carry out essential development work on the Canal. If Egyptian management of the Canal remains uncontrolled, increased dues would appear to be inevitable and consequently increased freight rates, with obvious effects on Australian trade: increased cost of imports, and exports less competitive in overseas markets. The financial advantages which now obtain in using the Canal could be cancelled out by unreasonable charges and there would arise a difficult period of readjustment in Australian/United Kingdom/European shipping services. A substantial portion of this trade might be diverted through the Panama Canal, depending on the extent the dues were raised.

(c) Competent Administration:

The experience of the Company has been that for efficient administrators and skilled technicians it has had to rely in the main on non-Egyptian personnel. Present employees are working under intolerable conditions: threats of imprisonment, heavy fines and loss of compensation and pension rights and, in the case of pilots, threats of court martial and the death penalty if they leave their posts. Freedom of employment needs to be restored and, notwithstanding

/ that Egyptians may

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that Egyptians may be taken on in increasing numbers (this the Company has already undertaken to do) it will still be necessary for foreign personnel to be engaged.

(d) Non-Interference with Shipping and Supplies :

Some firm assurance is needed against Egyptian interference with our shipping and supplies. In a limited war in South-East Asia or the Far East such hindrances might be attempted.

METHODS OF SOLUTION

(a) International Court:

The act of nationalisation by Egypt does not appear to provide sufficient grounds on which to bring the matter before the International Court. In any case Egypt has not accepted the compulsory jurisdiction of the Court.

(b) United Nations:

The question could be referred either to the Security Council by any one Member of the Organization or to the General Assembly by a simple majority of the Members or any seven Members of the Security Council.

It could be referred to the Security Council under Article 34 of the Charter (any dispute or situation "which might lead to international friction or give rise to a dispute"), or to the Assembly under Article 10 (any question within the scope of the Charter) or Article 11 (questions relating to the maintenance of international peace and security).

(c) Diplomatic Negotiation

The aim of the United Kingdom and French Governments has been to approach the problem outside the United Nations by mustering international opinion against Egypt's action. Following tripartite discussions in London between the United Kingdom, France and the United States, the United Kingdom issued invitations to a conference in London on 16th August to the following 24 countries:

Parties to the 1888 Convention:

Egypt, France, Italy, Netherlands, Spain, Turkey, United Kingdom, U.S.S.R.:

Countries interested in the Canal through ownership of tonnage or pattern of trade:

Australia, Ceylon, Denmark, Ethiopia, Federal

/ Republic of Germany

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Republic of Germany, Greece, India, Indonesia,  
Iran, Japan, New Zealand, Norway, Pakistan,  
Portugal, Sweden, United States of America.

Twenty-two of these countries accepted the invitation and will participate in the Conference. Egypt and Greece will not attend although Egypt will be represented by an observer.

The purpose of the Conference as originally envisaged by the United Kingdom, United States and France is to bring under discussion the steps which might be taken "to establish operating arrangements under an International system designed to assure the continuity of operations of the Canal as guaranteed by the 1888 Convention, consistently with legitimate Egyptian interests".

EGYPTIAN POSITION

The Egyptians were at first in an ostentatious, almost an aggressive mood, claiming nationalization as a "bold and imaginative act". They seemed confident that shipping companies must continue to use the Canal and that Egypt held all the trump cards. The United Kingdom Note of protest was returned.

Following limited economic measures by the United Kingdom Nasser in his speeches implied that he expected an attempt to re-occupy the Canal Zone in which event Egypt would fight to the end. The Canal Zone was placed under Egyptian martial law and pilots were warned that failure to report for duty when required would be punishable by court martial with the maximum penalty.

Subsequent reports from Cairo showed that Nasser was coupling abusive, anti-Western speeches with assurances that he intended to allow the unhindered passage of shipping through the Canal. There were however some signs of apprehension about the military consequences of the expropriation.

On 13th August Colonel Nasser announced that Egypt would not attend the London Conference, claiming that it was neither broadly enough based nor competent to make decisions. He proposed a wider conference which Egypt would be prepared to sponsor with other signatories of the 1888 Convention. He however has dismissed out of hand any suggestion of international control, adding that Egypt will not accept any actions or suggestions contrary to "her sovereignty and dignity".

Latest reports indicate that Nasser has been impressed by the extent and depth of international reactions to his nationalisation and by the doubts cast on his assurances that the Canal will be kept open on a non-discriminatory basis.

These factors may explain why, at the last moment, he decided to send his chief political adviser, Wing Commander Sabri, to the London Conference as an observer.

SOVIET REACTIONS

The Soviet Union accepted the invitation to the London Conference on the condition that they should in no way be bound or limited

/ in advance to international

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in advance to international operation of the Canal. While taking the stand that the dispute should be settled by peaceful means, it has expressed disapproval of the objective of the London Conference as envisaged by the United Kingdom, United States and France: it holds that the Western Powers should not regard the Conference as a means of undoing nationalisation of the Canal which the Soviet Government regards as legitimate. Shepilov has stated that the present conference should be regarded as a preliminary to a wider conference to which some twenty other countries, including the Satellites, all Arab countries, Yugoslavia, Burma and Communist China should be invited.

ATTITUDE OF THE UNITED STATES

Although the United States has fully supported the holding of the London conference, and subscribes to the objective of establishing operating arrangements under an international system, its attitude seems to admit some flexibility within these limits.

ATTITUDE OF OTHER COUNTRIES

Other countries attending the London Conference fall broadly into three categories; those like Sweden, Denmark and Portugal whose interests are not commensurate with those of France and the United Kingdom, but who might be expected to want an effective international regime; the countries of South and South-East Asia who, although vitally interested in freedom of passage of the Canal, consider that Egypt has acted within her rights and are reluctant to subscribe to any form of international operation which would derogate from Egyptian sovereignty although they might be disposed to accept the idea of international supervision; and finally, those countries whose attitudes may be tempered by extraneous considerations such as the Federal German Republic (which is conscious of its economic prospects in the Middle East and apprehensive of Arab recognition of East Germany,) and Spain which has been following a policy of closer relations with the Arab States.

Department of External Affairs  
17th August, 1956.

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CONCESSIONS OF THE SUEZ CANAL COMPANY

The Suez Canal Company's origins and operations are based on a number of concessions:

- (a) a provisional concession granted by Said Pasha, Turkish Viceroy of Egypt, to Ferdinand de Lesseps on 30th November, 1854 (text in paragraph 3 below);
- (b) a second concession of 5th January, 1856, detailing the privileges and responsibilities of the Company and approving its statutes (text in paragraph 4 below);
- (c) an agreement of 22nd February, 1866, between the Khedive Ismail and the Company embodying certain conditions imposed by the Ottoman Sultan before sanctioning the Concessions;
- (d) an Imperial firman of 19th March, 1866, authorising construction of the Canal (which was already well advanced).

Duration of the Concessions:

- 2. The Concessions expire on 16th November, 1968. On that date, unless the Concessions are renewed, ownership of the Canal passes to the Egyptian Government, which is required, by Article XVI of the 1856 Concession, to compensate the Company for the assets taken over.

1854 CONCESSION

- 3. The following is a translation of the Concession granted by the Turkish Viceroy of Egypt to de Lesseps:

"Our Friend Mons. Ferdinand de Lesseps, having called our attention to the advantages which would result to Egypt from the junction of the Mediterranean and Red Seas, by a navigable passage for large vessels, and having given us to understand the possibility of forming a company for this purpose composed of capitalists of all nations; we have accepted the arrangements which he has submitted to us, and by these presents grant him exclusive power for the establishment and direction of a Universal Company, for cutting through the Isthmus of Suez, and the construction of a canal between the two Seas, with authority to undertake or cause to be undertaken all the necessary works and erections, on condition that the Company shall previously indemnify all private persons in case of dispossession for the public benefit. And all within limits, upon the conditions and under the responsibilities, settled in the following articles.

Article 1

Mons. Ferdinand de Lesseps shall form a company, the direction of which we confide to him, under the name of the UNIVERSAL SUEZ MARITIME CANAL COMPANY, for cutting through the Isthmus of Suez, the construction of a passage suitable for extensive navigation, the

\* This Act of Concession was replaced, with several alterations and modifications by the Act of Concession of 1856. Later in 1863, two Conventions between the Egyptian Government and the Company were attached to it.



foundation of appropriation of two sufficient entrances, one from the Mediterranean and the other from the Red Sea, and the establishment of one or two ports.

Article II.

The Director of the Company shall be always appointed by the Egyptian Government, and selected, as far as practicable, from the shareholders most interested in the undertaking.

Article III.

The term of the grant is ninety-nine years, commencing from the day of the opening of the Canal of the two Seas.

Article IV.

The works shall be executed at the sole cost of the Company, and all the necessary land not belonging to private persons shall be granted to it free of cost. The fortifications which the Government shall think proper to establish shall not be at the cost of the Company.

Article V.

The Egyptian Government shall receive from the Company annually fifteen per cent of the net profits shown by the balance sheet, without prejudice to the interest and dividends accruing from the shares which the Government reserves the right of taking upon its own account at their issue, and without any guarantee on its part either for the execution of the works or for the operations of the Company; the remainder of the net profits shall be divided as follows: Seventy-five percent to the benefit of the Company; ten percent to the benefit of the members instrumental in its foundation.

Article VI

The tariffs of dues for the passage of the Canal of Suez, to be agreed upon between the Company and the Viceroy of Egypt, and collected by the Company's agents, shall be always equal for all nations; no particular advantage can ever be stipulated for the exclusive benefit of any one country.

Article VII

In case the Company should consider it necessary to connect the Nile by a navigable cut with the direct passage of the Isthmus, and in case the Maritime Canal should follow an indirect course, the Egyptian Government will give up to the Company the uncultivated lands belonging to the public domain, which shall be irrigated and cultivated at the expense of the Company, or by its instrumentality.

The Company shall enjoy the said lands for ten years free of taxes, commencing from the day of the opening of the canal; during the remaining eighty-nine years of the grant, the Company shall pay tithes to the Egyptian Government, after which period it cannot continue in

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possession of the lands above mentioned without paying to the said Government an impost equal to that appointed for lands of the same description.

Article VIII.

To avoid all difficulty on the subject of the lands which are to be given up to the Company, a plan drawn by M. Linant Bey, our Engineer Commissioner attached to the Company, shall indicate the lands granted both for the line and the establishments of the Maritime Canal and for the alimentary Canal from the Nile, as well as for the purpose of cultivation, conformably to the stipulations of Article VII.

It is moreover understood, that all speculation is forbidden from the present time, upon the lands to be granted from the public domain, and that the lands previously belonging to private persons and which the proprietors may hereafter wish to have irrigated by the waters of the alimentary Canal, made at the cost of the Company shall pay a rent of..... per feddan cultivated (or a rent amicably settled between the Government and the Company.)

Article IX.

The Company is further allowed to extract from the mines and quarries belonging to the public domain, any materials necessary for the works of the canal and the erections connected therewith, without paying dues; it shall also enjoy the right of free entry for all machines and materials which it shall import from abroad for the purposes of carrying out this grant.

Article X.

At the expiration of the Concession the Egyptian Government will take the place of the Company, and enjoy all its rights without reservation, the said Government will enter into full possession of the Canal of the two Seas, and all the establishments connected therewith. The indemnity to be allowed the Company for the relinquishment of its plant and moveables shall be arranged by amicable agreement or by arbitration.

Article XI.

The Statutes of the Society shall be moreover submitted to us by the Director of the Company, and must have the sanction of our approbation. Any modifications that may be hereafter introduced must previously receive our sanction. The said statutes shall set forth the names of the founders, the list of whom we reserve to ourselves the right of approving. This list shall include those persons who labours, studies, exertions or capital have previously contributed to the execution of the grand undertaking of the Canal of Suez.

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4.

Article XII.

Finally, we promise our true and hearty co-operation, and that of all the functionaries of Egypt in facilitating the execution and carrying out of the present powers.

To my attached friend

FERDINAND DE LESSEPS

of high birth and elevated rank.

Cairo, 30th November, 1854.

The grant made to the Company having to be ratified by his Imperial Majesty the Sultan, I send you this copy that you may keep it in your possession. With regard to the works connected with the excavation of the Canal of Suez, they are not to be commenced until after they are authorised by the Sublime Porte.

3 Ramadan, 1271

(The Viceroy's Seal)

A true translation of the Turkish text.

KOENIG BEY,  
Secretary of Mandates to  
His Highness the Viceroy.

Alexandria, May 19th, 1855.

"

1856 CONCESSION

4. At de Lesseps' request a fuller and more specific Concession was granted in 1856, the text of which is:

"We Mohammed-Said Pasha, Viceroy of Egypt, considering our charter bearing date the 30th November, 1854, by which we have granted to our friend M. Ferdinand de Lesseps exclusive power to constitute and direct a Universal Company for cutting the Isthmus of Suez, opening a passage suitable for large vessels, forming or adapting two sufficient entrances, one on the Mediterranean, the other on the Red Sea, and establishing one or two ports, as the case may be:

M. Ferdinand de Lesseps, having represented to us that in order to constitute a company as above described under the forms and conditions generally adopted for companies of that nature, it is expedient to stipulate beforehand by a fuller and more specific

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document, the burthens, obligations, and services to which that company will be subjected on the one part, and the concessions, immunities, and advantages to which it will be entitled, as also the facilities which will be accorded to it for its administration, on the other part:

Have decreed as follows the conditions of the concession which is the subject matter of these presents.

# I. CHARGES.

## Article I.

The Company founded by our friend M. Ferdinand de Lesseps in virtue of our charter of the 30th November, 1854, shall execute at its own cost, risk and damage all the necessary works and constructions for the establishment of:

- 1st A canal navigable by large vessels between Suez on the Red Sea, and the Gulf of Pelusium on the Mediterranean;
- 2nd A canal of irrigation adapted to the river traffic of the Nile, joining that river to the above-mentioned Maritime Canal;
- 3rd Two branches for irrigation and supply, striking out of the preceding canal, and in the direction respectively of Suez and Pelusium.

The works shall be completed within the period of six years, unavoidable hindrances and delays excepted.

## Article II.

The Company shall have the right to execute the works they have undertaken, themselves and under their own management, or to cause them to be executed by contractors by means of public tender or private contract under penalties. In all cases, four-fifths of the workmen employed upon these works shall be Egyptians.

## Article III.

The Canal navigable by large vessels shall be constructed of the depth and width fixed by the scheme of the International Scientific Commission.

Conformably with this scheme, it will commence at the port of Suez; it will pass through the basin of the Bitter Lakes and Lake Timsah, and will debouche into the Mediterranean at whatever point in the Gulf of Pelusium may be determined in the final plans to be prepared by the engineers of the Company.

## Article IV.

The Canal of Irrigation adapted to the river traffic, according to the terms of the said scheme, shall

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commence in the vicinity of the city of Cairo, follow the Wadi Tumilat (ancient land of Goshen), and will fall into the Grand Maritime Canal at Lake Timsah.

Article V.

The branches from the above Canal shall strike out from it above the debouchure into Lake Timsah, from which point they shall proceed, on one side to Suez, and on the other to Pelusium, parallel to the Grand Maritime Canal.

Article VI.

Lake Timsah shall be converted into an inland harbour capable of receiving vessels of the highest tonnage.

The Company shall moreover be bound, if necessary:

- 1st To construct a harbour of refuge at the entrance of the Maritime Canal into the Gulf of Pelusium;
- 2nd To improve the port and roadstead of Suez so that it shall equally afford a shelter to vessels.

Article VII.

The Maritime Canal, the ports connected therewith, as also the Junction Canal of the Nile and the branch Canals, shall be permanently maintained in good condition by the Company and at their expense.

Article VIII.

The owners of contiguous lands desirous of irrigating their property by means of water-courses from the Company's canals shall obtain permission so to do in consideration of the payment of an indemnity or rent, the amount whereof shall be fixed according to Article 17 hereinafter recited.

Article IX.

We reserve the right of appointing at the official headquarters of the Company a special commissioner, whose salary they shall pay and who shall represent at the Board of Direction the rights and interests of the Egyptian Government in the execution of these presents.

If the principal office of the Company be established elsewhere than in Egypt, the Company shall be represented at Alexandria by a superior agent furnished with all necessary powers for securing the proper management of the concern and the relations of the Company with our Government.

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II CONCESSIONS.Article X.

For the construction of the Canals and their dependencies mentioned in the foregoing articles, the Egyptian Government grants to the Company, free of impost or rent, the use and enjoyment of all lands not the property of individuals which may be found necessary.

It likewise grants to the Company the use and enjoyment of all uncultivated lands not the property of individuals which shall have been irrigated and cultivated by their care and at their expense, with these provisos:

- 1st That lands comprised under the latter head shall be free of impost during ten years only, to date from their being put in a productive condition;
- 2nd That after that period, they shall be subject for the remainder of the term of concession, to the same obligations and imposts to which are subjected under like circumstances, the lands in other provinces of Egypt;
- 3rd That the Company shall afterwards, themselves or through their agents, continue in the use and enjoyment of these lands and the water-courses necessary to their fertilisation, subject to payment to the Egyptian Government of the imposts assessed upon lands under like conditions.

Article XI.

For determining the area and boundaries of the lands conceded to the Company under Article X, reference is made to the plans hereunto annexed, in which plans the lands conceded for the construction of the Canals and their dependencies free of impost or rent, conformably to Clause 1 is coloured black, and the land conceded for the purpose of cultivation, on paying certain duties conformably with Clause 2 is coloured blue.

All acts and deeds done subsequently to our charter of the 30th November, 1854, the effect of which would be to give to individuals as against the Company either claims to compensation which were not then vested in the ownership of the lands, or claims to compensation more considerable than those which the owners could then justly advance, shall be considered void.

Article XII.

The Egyptian Government will deliver to the Company, should the case arise, all lands the property of private individuals, whereof possession should be necessary for the execution of the works and the

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the carrying into effect of the concession, subject to the payment of just compensation to the parties concerned.

Compensation for temporary occupation or definitive appropriation shall as far as possible be determined amicably; in case of disagreement the terms shall be fixed by a court of arbitration deciding summarily and composed of:

- 1st An arbitrator chosen by the Company;
- 2nd An arbitrator chosen by the interested parties;
- 3rd A third arbitrator appointed by us.

The decisions of the court of arbitration shall be executed without further process, and subject to no appeal.

#### Article XIII

The Egyptian Government grants to the leasing Company, for the whole period of the concession, the privilege of drawing from the mines and quarries belonging to the public domain, without paying duty, impost, or compensation, all necessary materials for the construction and maintenance of the works and buildings of the undertaking. It moreover exempts the Company from all duties of customs, entrance dues and others, on the importation into Egypt of all machinery and materials whatsoever which they shall bring from foreign countries for employment in the construction of the works or working the undertaking.

#### Article XIV.

We solemnly declare for our part and that of our successors, subject to the ratification of His Imperial Majesty the Sultan, that the Grand Maritime Canal from Suez to Pelusium and the ports appertaining thereto, shall always remain open as a neutral passage to every merchant ship crossing from one sea to another, without any distinction, exclusion, or preference of persons or nationalities, on payment of the dues and observance of the regulations established by the Universal Company lessee for the use of the said Canal and its dependencies.

#### Article XV.

In pursuance of the principle laid down in the foregoing Article, the Universal Company can in no case grant to any vessel, company, or individual, any advantage or favour not accorded to all other vessels, companies, or individuals on the same conditions.

#### Article XVI.

The term of the Company's existence is fixed at 99 years reckoning from the completion of the works and the opening of the Maritime Canal to large vessels.

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At the expiration of the said term, the Egyptian Government shall enter into possession of the Maritime Canal constructed by the Company, upon condition, in that event, of taking all the working stock and appliances and stores employed and provided for the naval department of the enterprise, and paying to the Company such amount for the same as shall be determined either amicably or by the decision of sworn appraisers.

Nevertheless, if the Company should retain the concession for a succession of terms of 99 years, the amount stipulated to be paid to the Egyptian Government by Article XVIII, hereinafter recited, shall be raised for the second term to 20 per cent, for the third term to 25 per cent, and so on augmenting at the rate of 5 per cent for each term, but so as never to exceed on the whole 35 per cent of the net proceeds of the undertaking.

#### Article XVII.

To indemnify the Company for the expenses of construction, maintenance and working, charged upon them by these presents, we authorise the Company henceforth, and during the whole term of their lease, as determined by Clauses 1 and 3 of the preceding Article, to levy and receive for passage through and entrance into the Canals and ports thereunto appertaining, tolls and charges for navigation, pilotage, towage or harbour dues, according to tariffs which they shall be at liberty to modify at all times, upon the following express conditions:

- 1st That these dues be collected, without exception or favour, from all ships under like conditions;
- 2nd That the tariffs be published three months before they come into force, in the capitals and principal commercial ports of all nations whom it may concern;
- 3rd That for the simple right of passage through the Canal, the maximum toll shall be ten francs per measurement ton on ships and per head on passengers, and that the same shall never be exceeded.

The Company may also, for granting the privilege of establishing water-courses, upon the request of individuals by virtue of Article VIII, receive dues, according to tariffs to be hereafter settled, proportionable to the quantity of water diverted and the extent of the lands irrigated.

#### Article XVIII.

Nevertheless in consideration of the concessions of land and other advantages accorded to the Company by the preceding Articles, we reserve on behalf of the Egyptian Government a claim of 15 per cent on the net profits of each year, accord to the dividend settled and declared by the General Meeting of Shareholders.

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Article XIX.

The list of Foundation Members who have contributed by their exertions, professional labours, and capital to the realisation of the undertaking before the establishment of the Company, shall be settled by us.

After the said payment to the Egyptian Government, according to Article XVIII above recited, there shall be divided out of the net annual profits of the undertaking, one share of 10 per cent among the Foundation Members or their heirs or assigns.

Article XX.

Independently of the time necessary for the execution of the works, our friend and authorised agent, M. Ferdinand de Lesseps, shall preside over and direct the Company, as original founder, during ten years from the first day on which the term of concession for 99 years shall begin to run, by the terms of Article XVI above contained.

Article XXI.

The Articles of Association hereunto annexed of the Company, established under the title of THE SUEZ MARITIME CANAL UNIVERSAL COMPANY, are hereby approved, and the present approval shall have force as an authority for its constitution in the form of Societes Anonymes, to date from the day when the entire capital of the Company shall be completely subscribed.

Article XXII.

In witness of the interest which we feel in the success of the undertaking, we promise to the Company the loyal co-operation of the Egyptian Government; and we expressly, by these presents, call upon the functionaries and agents of all our administrative departments to give aid and protection at all times to the Company.

Our engineers, Linant-Bey and Mougel-Bey, whose services we place at the disposal of the Company for the direction and conduct of the works ordered by the said Company, shall have the superintendence of the workmen, and shall be charged with the enforcing of regulations respecting the execution of the works.

Article XXIII.

All provisions of our Charter of the 30th November, 1854, and others which are inconsistent with the clauses and conditions of the present book of charges, which alone shall constitute the law in respect of the concession to which it applies, are hereby revoked.

Done at Alexandria, 15th January, 1856.

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To my devoted friend of high birth and elevated rank,

Mons. Ferdinand de Lesseps

The concession accorded to the Suez Canal Universal Company, requiring the ratification of His Imperial Majesty the Sultan, I remit you this authentic copy in order that you may constitute the said Financial Company. As regards the works for cutting the Isthmus, the Company may execute them as soon as the authorisation of the Sublime Porte has been accorded to me.

Alexandria, the 26 Rebi-al-akhher, 1272 (5th Jan. 1856)

(The Viceroy's Seal)

Translated according to the original in the Turkish language, deposited in the Archives of the Cabinet.

Koenig Bey

Secretary of Mandates to  
His Highness the Viceroy. "

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1888 CONVENTION

The following is a translation of the text of a Convention between the United Kingdom, Austria-Hungary, France, Germany, Italy, Netherlands, Russia, Spain, and Turkey respecting the free navigation of the Suez Canal, signed at Constantinople on 29th October, 1888:\*

In the name of Almighty God.

Her Majesty the Queen of the United Kingdom of Great Britain and Ireland, Empress of India; His Majesty the Emperor of Germany, King of Prussia; His Majesty the Emperor of Austria, King of Bohemia, &c., and Apostolic King of Hungary; His Majesty the King of Spain, and in his name the Queen Regent of the Kingdom; the President of the French Republic; His Majesty the King of Italy; His Majesty the King of the Netherlands, Grand Duke of Luxembourg, &c.; His Majesty the Emperor of All the Russias; and His Majesty the Emperor of the Ottomans; wishing to establish, by a Conventional Act, a definite system destined to guarantee at all times, and for all the Powers, the free use of the Suez Maritime Canal, and thus to complete the system under which the navigation of this Canal has been placed by the Firman of His Imperial Majesty the Sultan, dated the 22nd February, 1866 (2 Zilkâdè, 1282),<sup>/</sup> and sanctioning the Concessions of His Highness the Khedive, have named as their Plenipotentiaries, that is to say:-

Her Majesty the Queen of the United Kingdom of Great Britain and Ireland, Empress of India, the Right Honourable Sir William Arthur White, her Ambassador Extraordinary and Plenipotentiary;

His Majesty the Emperor of Germany, King of Prussia, M. Joseph de Radowitz, his Ambassador Extraordinary and Plenipotentiary;

His Majesty the Emperor of Austria, King of Bohemia, &c., and Apostolic King of Hungary, M. Henri, Baron de Calice, his Ambassador Extraordinary and Plenipotentiary;

His Majesty the King of Spain, and in his name the Queen Regent of the Kingdom, Don Miguel Florez y Garcia, his Charge d'Affaires;

The President of the French Republic, M. Gustave Louis Lannes, Count de Montebello, Ambassador Extraordinary and Plenipotentiary of France;

His Majesty the King of Italy, M. Albert, Baron Blanc, his Ambassador Extraordinary and Plenipotentiary;

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\* Ratifications deposited at Constantinople, December 22, 1888.

<sup>/</sup> See State Papers. Vol. 56. Page 293.



His Majesty the King of the Netherlands, Grand Duke of Luxembourg, &c., M. Gustave Keun, his Charge d'Affaires;

His Majesty the Emperor of all the Russias, M. Alexandre de Nélidow, his Ambassador Extraordinary and Plenipotentiary;

His Majesty the Emperor of the Ottomans, Mehemmed Said Pasha, his Minister for Foreign Affairs;

Who, having communicated to each other their respective full powers, found in good and due form, have agreed upon the following Articles:-

ART. I. The Suez Maritime Canal shall always be free and open, in time of war as in time of peace, to every vessel of commerce or of war, without distinction of flag.

Consequently, the High Contracting Parties agree not in any way to interfere with the free use of the Canal, in time of war as in time of peace.

The Canal shall never be subjected to the exercise of the right of blockade.

II. The High Contracting Parties, recognizing that the Fresh-Water Canal is indispensable to the Maritime Canal, take note of the engagements of His Highness the Khedive towards the Universal Suez Canal Company as regards the Fresh-Water Canal; which engagements are stipulated in a Convention bearing date the 18th March, 1863, \* containing an exposé and four Articles.

They undertake not to interfere in any way with the security of that Canal and its branches, the working of which shall not be exposed to any attempt at obstruction.

III. The High Contracting Parties likewise undertake to respect the plant, establishments, buildings, and works of the Maritime Canal and of the Fresh-Water Canal.

IV. The Maritime Canal remaining open in time of war as a free passage, even to the ships of war of belligerents, according to the terms of Article I of the present Treaty, the High Contracting Parties agree that no right of war, no act of hostility, nor any act having for its object to obstruct the free navigation of the Canal, shall be committed in the Canal and its ports of access, as well as within a radius of three marine miles from those ports, even though the Ottoman Empire should be one of the belligerent Powers.

Vessels of war of belligerents shall not revictual or take in stores in the Canal and its ports of access, except in so far as may be strictly necessary. The

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\* See State Papers. Vol. 55. Page 999.

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transit of the aforesaid vessels through the Canal shall be effected with the least possible delay, in accordance with the Regulations in force, and without any other intermission than that resulting from the necessities of the service.

Their stay at Port Said and in the roadstead of Suez shall not exceed 24 hours, except in case of distress. In such case they shall be bound to leave as soon as possible. An interval of 24 hours shall always elapse between the sailing of a belligerent ship from one of the ports of access and the departure of a ship belonging to the hostile Power.

V. In time of war belligerent Powers shall not disembark nor embark within the Canal and its ports of access either troops, munitions, or materials of war. But in case of an accidental hindrance in the Canal, men may be embarked or dis-embarked at the ports of access by detachments not exceeding 1,000 men, with a corresponding amount of war material.

VI. Prizes shall be subjected, in all respects, to the same rules as the vessels of war of belligerents.

VII. The Powers shall not keep any vessel of war in the waters of the Canal (including Lake Timsah and the Bitter Lakes).

Nevertheless, they may station vessels of war in the ports of access of Port Said and Suez, the number of which shall not exceed two for each Power.

This right shall not be exercised by belligerents.

VIII. The Agents in Egypt of the Signatory Powers of the present Treaty shall be charged to watch over its execution. In case of any event threatening the security of the free passage of the Canal, they shall meet on the summons of three of their number under the presidency of their Doyen, in order to proceed to the necessary verifications. They shall inform the Khedivial Government of the danger which they may have perceived, in order that that Government may take proper steps to insure the protection and the free use of the Canal. Under any circumstances, they shall meet once a year to take note of the due execution of the Treaty.

The last-mentioned meetings shall take place under the presidency of a Special Commissioner nominated for that purpose by the Imperial Ottoman Government. A Commissioner of the Khedive may also take part in the meeting, and may preside over it in case of the absence of the Ottoman Commissioner.

They shall especially demand the suppression of any work or the dispersion of any assemblage on either bank of the Canal, the object or effect of which might be to interfere with the liberty and the entire security of the navigation.

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IX. The Egyptian Government shall, within the limits of its powers resulting from the Firmans, and under the conditions provided for in the present Treaty, take the necessary measures for insuring the execution of the said Treaty.

In case the Egyptian Government should not have sufficient means at its disposal, it shall call upon the Imperial Ottoman Government, which shall take the necessary measures to respond to such appeal; shall give notice thereof to the Signatory Powers of the Declaration of London of the 17th March, 1885, and shall, if necessary, concert with them on the subject.

The provisions of Articles IV, V, VII, and VIII shall not interfere with the measures which shall be taken in virtue of the present Article.

X. Similarly, the provisions of Articles IV, V, VII, and VIII, shall not interfere with the measures which His Majesty the Sultan and His Highness the Khedive, in the name of His Imperial Majesty, and within the limits of the Firmans granted, might find it necessary to take for securing by their own forces the defence of Egypt and the maintenance of public order.

In case His Imperial Majesty the Sultan, or His Highness the Khedive, should find it necessary to avail themselves of the exceptions for which this Article provides, the Signatory Powers of the Declaration of London shall be notified thereof by the Imperial Ottoman Government.

It is likewise understood that the provisions of the four Articles aforesaid shall in no case occasion any obstacle to the measures which the Imperial Ottoman Government may think it necessary to take in order to insure by its own forces the defence of its other possessions situated on the eastern coast of the Red Sea.

XI. The measures which shall be taken in the cases provided for by Articles IX and X of the present Treaty shall not interfere with the free use of the Canal. In the same cases, the erection of permanent fortifications contrary to the provisions of Article VIII is prohibited.

XII. The High Contracting Parties, by application of the principle of equality as regards the free use of the Canal, a principle which forms one of the bases of the present Treaty, agree that none of them shall endeavour to obtain with respect to the Canal

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\* See Vol.17. Page 349. Hertslot's Treaties.

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territorial or commercial advantages or privileges in any international arrangements which may be concluded. Moreover the rights of Turkey as the territorial Power are reserved.

XIII. With the exception of the obligations expressly provided by the clauses of the present Treaty, the sovereign rights of His Imperial Majesty the Sultan, and the rights and immunities of His Highness the Khedive, resulting from the Firmans, are in no way affected.

XIV. The High Contracting Parties agree that the engagements resulting from the present Treaty shall not be limited by the duration of the Acts of Concession of the Universal Suez Canal Company.

XV. The stipulations of the present Treaty shall not interfere with the sanitary measures in force in Egypt.

XVI. The High Contracting Parties undertake to bring the present Treaty to the knowledge of the States which have not signed it, inviting them to accede to it.

XVII. The present Treaty shall be ratified, and the ratifications shall be exchanged at Constantinople within the space of one month, or sooner if possible.

In faith of which the respective Plenipotentiaries have signed the present Treaty, and have affixed to it the seal of their arms.

Done at Constantinople, the 29th day of the month of October, in the year 1888. "

(L.S.) W.A. White.  
(L.S.) Radowitz  
(L.S.) Calice.  
(L.S.) Miguel Florez y Garcia.  
(L.S.) G. de Montebello.  
(L.S.) A. Blanc.  
(L.S.) Gus. Keun.  
(L.S.) Nelidow.  
(L.S.) M. Said.

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THE SUEZ CANAL COMPANY

Historical:

The Suez Canal Company came into being as the result of a Concession granted in 1854 (text in Appendix 1) by the Turkish Viceroy of Egypt to de Lesseps, authorising him to form the Company, and a second, more explicit and detailed Concession granted in 1856 (text in Appendix 2). The Concessions were subsequently modified in points of detail and confirmed by the Khedive Ismail of Turkey in 1866. The Concessions were valid until 1968.

Status of the Company:

2. The status of the Company is unusual. It is a joint stock company governed by the provisions of the French legal code, i.e. its constitution and the mutual relations of its shareholders inter se are governed by French Law, but in all other respects it is an Egyptian Company. It is registered as an Egyptian Company subject to Egyptian law (although it enjoys by agreement with the Egyptian Government, certain immunities from Egyptian law). The Court of Appeal in Paris has been designated as the tribunal of ultimate resort in legal matters affecting the Company.

3. The company has 32 directors: 16 French, 9 British (3 Government and 6 Commercial), 5 Egyptian, 1 American and 1 Dutch.

4. Shares in the Company are owned principally by the United Kingdom Government (44%) and private French investors.

United Kingdom Government Influence:

5. Under the Company's statutes ten is the maximum number of votes allowed to any single shareholder at the Annual General Meeting despite the size of his holdings. Although the United Kingdom Government holds 44% of the shares, it can, therefore, cast no more than ten votes.

6. The United Kingdom Government is also represented by three Government Directors, two of whom sit on the Comité de Direction (the Executive Committee of the Company). The six United Kingdom commercial directors are representative of United Kingdom shipping interests.

French Influence:

7. The management of the Company is predominantly French. The Board meets monthly in Paris and 16 of the Directors, including the Chairman of Directors, are French. The Comité de Direction meets weekly in Paris and of the 9 Directors comprising the Comité, 7 are French. The Managing Director and most of the higher management are French. The shareholders, other than the United Kingdom Government, are nearly all French. Their individual holdings are mostly small but although the holders of less than 25 shares have no vote, the general position of small shareholders is reasonably secure for the reason that no one shareholder may cast more than ten votes.

/ Egyptian Influence.

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Egyptian Influence:

8. Egyptian influence was insignificant for many years but has been rapidly increasing. Egypt now has five Directors none of whom sit on the Comite de Direction and none of whom are regarded by the present Egyptian Government as representative of the "new" Egypt. A Convention of 1949 provides for a progressive and more rapid increase in the employment of Egyptians of all ranks in the Company's service and for an increased subvention to the Egyptian Government, equal to 7% of gross profits with a guaranteed minimum of £E.350,000. In 1955 the total sum received by Egypt from the Company, including taxes, amounted to approx. £Stg. 5 million.

Assets of the Company:

9. The assets of the Company at the end of 1955 amounted to approx. £Stg. 85 million. Details are given in Appendix 6.

Earnings of the Company:

10. Dues Charged: Dues have been charged at the following rates:

	<u>Laden Vessels</u> (Stg. per ton)	<u>Vessels in Ballast</u> (Stg. per ton)
War years;	8/-	4/-
1951-1954	7/6	3/6
1954 to date:	7/-	3/3

11. Income: Gross income for the year ended 31st December, 1955 amounted to approx. £Stg. 35 million. Income from dues was approximately £Stg. 33 million. Nett profit for the year was £Stg. 16.6 million. Further figures are given in Appendix 6.

Origins of the Expropriation:

12. For some time past Nasser has been negotiating financial aid for the construction of a vast Hydro-electric and irrigation project on the Nile at Assuan. The estimated cost of this High Dam is 1,350 million dollars.

13. Last December, in consultation with the International Bank, the United Kingdom and the U.S.A. joined in offering grants in aid of \$15 million and \$55 million respectively towards the cost of the first stage of this project (coffer dams and diversionary tunnels). They also announced that once the project was under way they would give consideration to the need for further financial assistance in the light of circumstances then obtaining. The International Bank agreed to lend \$200 million to be used mainly in the second stage on the main barrage, subject to Egypt obtaining the consent of Sudan who has treaty rights to a share of these waters.

14. Subsequently, Nasser demanded that the total Anglo-American aid be determined and fixed before work on the project commenced. Because of Congressional opposition the United States could not agree. Nasser also demanded that the United States and the United Kingdom countenance Russian participation in the project.

15. On 16th May, Egypt recognised Communist China. This took the United States by surprise. One result was to harden American opinion against Col. Nasser.

/ During Shepilov's visit

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16. During Shepilov's visit to Cairo in June, it was rumoured that Russia was offering Nasser financial help towards the cost of the Aswan project in the form of a loan of \$400 million on an interest-free, sixty year basis to be repaid in cotton.

17. On 19th July, the United States withdrew its offer of aid and on 20th July the United Kingdom followed suit.

18. Nasser did not as it was thought the might, turn to the Soviet for help but unexpectedly on 26th July, nationalised the Suez Canal Company and announced that revenue from the Canal would be used to finance the High Dam project. The seizure, therefore, is clearly in retaliation for the withdrawal of the United Kingdom and United States' offers of aid towards the cost of the Dam.

#### Nationalisation Controls

19. The Cairo Office of the Suez Canal Company was immediately sealed and Egyptian officials took control of all installations in the Canal Zone. Canal employees have been ordered not to leave their posts on pain of imprisonment and loss of pension and compensation rights. (Pilots are subject to court martial and the maximum penalty of death if they refuse to continue to work for the Egyptian Canal Authority). Nasser has announced that the nationalisation decree provides for:

- (a) compensation to be paid to all shareholders at Paris stock market rates obtaining on 25th July;
- (b) the canal to be controlled by an independent authority attached to the Ministry of Commerce but outside Government rules and systems and having a juristic personality and its own budget;
- (c) all rights of the Company to be vested in the Egyptian Government and all assets both in Egypt and overseas to be frozen, breaches to be punished by heavy fines and imprisonment.

#### Financial Relations with the Egyptian Government.

20. The Egyptian Government under the Convention of 1949 receives 7 per cent of gross profits of the Company with a guaranteed minimum of £350,000 p.a. In 1955 these payments amounted to £Stg. 1,114,000. It has been estimated that the Egyptian Government's total receipts from the Company including the above payment and taxes amounted to approximately £Stg. 5 million in 1955.

#### Expenditure of the Suez Canal Company in Egypt

21. In 1953 and 1954 the total expenditure of the Suez Canal Company amounted to £E 15.4 million and £E 16.8 million respectively. Of these amounts £E 10.9 million was spent in Egypt in 1953 and £E 11.6 million in 1954.

22. The following table has been taken from the Economic Bulletin of the National Bank of Egypt Vol.III No. 2, 1955.

/£E 000's

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	<u>£E 000's</u>	
	<u>1953</u>	<u>1954</u>
Taxes	558	1,013
Government Control	3	3
Allocation to the Government	955	1,081
General administration expenses	1,348	1,363
Exploitation of the Canal and the port of Port-Said	2,443	2,442
Maintenance of the Canal and the port of Port-Said	2,108	2,264
Maintenance of Equipment	1,681	1,699
Other expenses	1,761	1,711
	<u>10,857</u>	<u>11,576</u>

Investment by the Company in Egypt:

23. The Company has only 9 per cent of its short term investments and 3 per cent of its long term investments, totalling a little over £E2 million invested in Egypt.

24. In September, 1955, the Egyptian Government informed the Suez Canal Company that the Company was no longer exempt from the law that all foreign exchange must be surrendered to the National Bank of Egypt. In June, 1956 an agreement was reached that a part of the Company's profits, destined for reserves was to be transferred to the Bank for investment in Egyptian enterprises. The Company was required to invest £Stg.22 million in this way, starting with £Stg. 10 million payment this year and decreasing annual amounts ending in 1964. The payment for this year as far as is known was not made.

Suez Canal Dues and Egypt's Balance of Payments

25. 32 per cent of the Suez Canal dues are paid in Egypt in £E's. These dues appear in the statement of Egypt's balance of payments, and after proceeds from exports, are the most important item accounting in 1955 for £E 31.8 million out of total Egyptian receipts amounting to £E 224.4 million.

26. However, these dues are the property of the Suez Canal Company and the greater part is spent abroad for payments of dividends and for the amortisation of the share capital.



#### APPENDIX 4

### INTERNATIONAL WATERWAYS.

#### CANALS.

Apart from the Suez Canal two other canals are of international interest:

(a) Panama Canal.

The United States has the exclusive right of regulating and managing the Panama Canal. The Canal is operated and maintained by the Panama Canal Company, a corporate instrumentality of the United States Government. In the Hay-Pauncefote Treaty of 1901 between the United Kingdom and United States a number of rules, substantially similar to the provisions of the 1888 Constantinople Convention, are detailed, as forming the "basis of the neutralization" of the Canal. It is to be free and open to the vessels of commerce and of war of all nations "observing these rules on terms of entire equality". It is never to be blockaded and the installations are to be immune from attack and injury in time of war as well as in time of peace. A Treaty with Panama (1903) also declared that the Canal shall be neutral in perpetuity, and ceded to the U.S.A. in perpetuity the Canal Zone. Panama was paid compensation at this time and is also paid an annuity from the operational profits.

(b) Kiel Canal.

Germany built this canal. Although it was kept open before 1914 to vessels of other nations, there were no international obligations on Germany in relation to the Canal until the Versailles Treaty (Arts. 380-386). The Versailles Treaty provided that the Canal and its approaches "shall be maintained free and open to the vessels of commerce and of war of all nations at peace with Germany on terms of entire equality." Provision was made for the levying of charges, but these were restricted to such as were intended to cover in an equitable manner the cost of maintaining or improving the canal. The Germans denounced these provisions in 1936 with little protest from the Versailles signatories.

#### RIVERS.

There are several examples of what we know as international rivers. International rivers are those which are navigable from the open sea and which pass through several States.

/General: The Congress...

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General: The Congress of Vienna 1815, in its Final Act (Articles 108-117) proclaimed the principle of free navigation on European international rivers by merchantmen by all States. This principle was restated in the Treaty of Paris 1856.

Examples:

- (a) Danube: The Treaty of Paris 1856 made specific arrangement for navigation on the Danube, and created the European Danube Commission. The powers of this Commission were confirmed by the Peace Treaties after the first World War, and again in 1921, when a Convention containing a Definite Statute was concluded.

The European Danube Commission concerns itself with the lower navigable reaches of the river. The upper reaches are the concern of the International Danube Commission. The European Commission is both an executive and administrative body. It is directly responsible for works, harbours and pilotage and may levy dues on the express condition that all nations are treated on a footing of equality. The International Commission's functions are largely administrative, the execution of its decisions being left to the riparian States. In certain circumstances, it may however order works and assume responsibility for their execution. The Iron Curtain countries in 1948 established a new regime for the Danube, but this has not been recognized by the West.

- (b) Other Rivers: The Elbe, Rhine, Moselle and Oder are a few examples of European rivers which have been placed under special regimes. Broadly speaking the nationals property and flags of all States are treated on these rivers on a footing of equality with the nationals property and flags of the riparian States. The extent of international supervision varies from river to river.

STRAITS

Most Straits which form international trafficways are not subject to any specific international control. The Bosphorous and Dardanelles from 1923 to 1936, however, provide an example of international supervision. Under the Leusenne Treaty of 1923, Turkey's powers over these Straits were restricted by the establishment of a demilitarized zone and the setting up of an international supervisory commission. The Leusenne regime was replaced by the Montreux Convention of 1936 which provides for complete freedom of transit and navigation for merchant vessels in peace and war (subject of course to the payment of dues and to quarantine control) and contains rules governing the passage of warships.

/ THE BARCELONA

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THE BARCELONA CONVENTION OF 1921.

This Convention deals with navigable waterways (naturel and artificiel) of international concern, as defined. Australia is not a party to it, nor is Egypt. The United Kingdom and a number of other maritime powers are however contracting parties. Contracting parties accord the right of free navigation on a footing of equality to vessels of other parties on such of these international waterways as are under their jurisdiction. The only charges which may be levied in respect of such navigation are dues to cover maintenance costs.

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RESOLUTION ON THE PALESTINE QUESTION  
ADOPTED AT THE 558TH MEETING OF THE  
SECURITY COUNCIL ON 1 SEPTEMBER  
1951

The Security Council

1. Recalling that in its resolution of 11 August 1949, (S/1376) relating to the conclusion of Armistice Agreements between Israel and the neighbouring Arab States it drew attention to the pledges in these Agreements "against any further acts of hostility between the Parties";
2. Recalling further that in its resolution of 17 November 1950 (S/1907) it reminded the States concerned that the Armistice Agreements to which they were parties contemplated "the return of permanent peace in Palestine", and therefore urged them and the other States in the area to take all such steps as would lead to the settlement of the issues between them;
3. Noting the report of the Chief of Staff of the Truce Supervision Organisation to the Security Council of 12 June 1951 (S/2194);
4. Further noting that the Chief of Staff of the Truce Supervision Organization recalled the statement of the senior Egyptian delegate in Rhodes on 13 January 1949, to the effect that his delegation was "inspired with every spirit of co-operation, conciliation and a sincere desire to restore peace in Palestine", and that the Egyptian Government has not complied with the earnest plea of the Chief of Staff made to the Egyptian delegate on 12 June 1951, that it desist from the present practice of interfering with the passage through the Suez Canal of goods destined for Israel;
5. Considering that since the Armistice regime, which has been in existence for nearly two and a half years, is of a permanent character, neither party can reasonably assert that it is actively a belligerent or requires to exercise the right of visit, search, and seizure for any legitimate purpose of self-defence;
6. Finds that the maintenance of the practice mentioned in paragraph 4 above is inconsistent with the objectives of a peaceful settlement between the parties and the establishment of a permanent peace in Palestine set forth in the Armistice Agreement;

/7. Finds further

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SECRET

2.

7. Finds further that such practice is an abuse of the exercise of the right of visit, search and seizure;

8. Further finds that that practice cannot in the prevailing circumstances be justified on the ground that it is necessary for self-defence;

9. And further noting that the restrictions on the passage of goods through the Suez Canal to Israel ports are denying to nations at no time connected with the conflict in Palestine valuable supplies required for their economic reconstruction, and that these restrictions together with sanctions applied by Egypt to certain ships which have visited Israel ports represent unjustified interference with the rights of nations to navigate the seas and to trade freely with one another, including the Arab States and Israel;

10. Calls upon Egypt to terminate the restrictions on the passage of international commercial shipping and goods through the Suez Canal wherever bound and to cease all interference with such shipping beyond that essential to the safety of shipping in the Canal itself and to the observance of the international conventions in force.

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SECRET

STATISTICS ON THE SUEZ CANAL

1. Importance of the Canal to Australian Trade.
2. The Effect of the Closure of the Canal - Additional Length of Voyage.
3. The Effect of the Closure of the Canal - Cost to Australia.
4. The Effect on Australian Trade of Higher Canal charges.
5. Percentage of the Total Trade of "South of Suez Countries Serviced by the Canal.
6. Quantity of Cargo Passing through the Canal to "South of Suez" countries.
7. Suez Canal Traffic.
8. Nationality of Lines in Australia - United Kingdom/Continent Shipping.
9. Assets of Suez Canal Company as at 31.12.55.
10. Long and Short Term Investments of Suez Canal Company as at 31.12.55.
11. Trading Account of the Suez Canal Company 1955.

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2.

1. IMPORTANCE OF CANAL TO AUSTRALIAN TRADE

Australian Exports Passing through the Canal

Year	Value £'sa	Percentage of Total Australian Exports
1952/53	566	65
1953/54	548	66
1954/55	435	57

Australian Imports Passing through the Canal

Year	Value £'sa	Percentage of Total Australian Imports
1952/53	274	53
1953/54	427	63
1954/55	511	62

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2. EFFECT OF CLOSURE OF CANALADDITIONAL LENGTH OF VOYAGE

From U.K. to	Additional time in days				
<hr/>					
<u>INDIA</u>					
Bombay	25 days on round voyage.				
Calcutta	19	"	"	"	"
<u>CEYLON</u>					
Colombo	19	"	"	"	"
<u>INDONESIA</u>					
Djakarta	14	"	"	"	"
<u>SINGAPORE</u>					
	17	"	"	"	"
<u>AUSTRALIA</u>					
Melbourne	8	"	"	"	"

Source: Based on average daily voyage of 350 nautical miles.



4.

### 3. CLOSURE OF CANAL - COST TO AUSTRALIA

It has been roughly estimated that the minimum addition to Australia's overseas freight bill which could be anticipated from the closure of the canal is:-

Imports	£7.2 million Aust. per annum
Exports	£4.4       "       "       "       "

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TOTAL       £11.6

### 4. EFFECT ON AUSTRALIAN TRADE OF HIGHER CANAL CHARGES

#### Importance of Present Charges:

The average cargo liner in the Australian-United Kingdom-Continent Trade would pay about £5,100 stg. in canal dues on a round voyage to Australia. This represents just under 3% of the total round voyage cost.

From information available to the Department it has been estimated that a rise in canal dues of the order of 300% would divert shipping to an alternative route.

The effect of canal charges on the United Kingdom-Continent-Australian trade is summarised in the following table:-

Total Australian Trade 1954-55	Estd. Total Freight Bill	Effect of increase in Dues		
		by 50%	by 100%	by 300%
m.Stg.	m.Stg.	m.Stg.	m.Stg.	m.Stg.
£ 757	£ 73	£ 74	£ 75	£ 79

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5.

5. PERCENTAGE OF THE TOTAL TRADE OF "SOUTH OF SUEZ"  
COUNTRIES SERVICED BY CANAL

YEAR 1954

(£A MILLION)

BETWEEN → AND ↓	U.K./EUROPE	ALL COUNTRIES	% WITH UK/EUROPE.
AUSTRALIA	971	1,534	63.3
INDIA	480	1,098	43.7
PAKISTAN	156	310	50.3
HONG KONG	100	465	21.5
MALAYA SINGAPORE	306	928	33.0
CEYLON	102	297	34.3
CHINA	54	206	26.2
INDONESIA	234	675	34.7
JAPAN	161	1,832	8.8
PHILIPPINES	57	405	14.1
THAILAND	53	254	20.9
INDOCHINA	121	202	60.0
IRAN	71	148	48.0
IRAQ	228	292	78.1
SAUDI ARABIA	163	343	47.5

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6.

6. QUANTITY OF CARGO PASSING THROUGH  
THE CANAL TO "SOUTH OF SUEZ" COUNTRIES

The following table gives the weight in thousands of tons of the cargoes passing through the canal in 1955 bound for, or coming from, the countries named.

India	8,026
Pakistan	1,758
Burma	664
Ceylon	1,039
Indonesia	4,417
Malay	3,176
Thailand	423
Philippines	757
Vietnam	904
Australia and New Zealand	5,600

7. SUEZ CANAL TRAFFIC

(The following information has been taken from a paper on the Suez Canal prepared by the Reference Division of the Central Office of Information, London dated 31.7.56).

Traffic through the Canal has increased so rapidly in recent years that the 1955 figure of 115.8 million net tons was more than double the 1948 figure. While British tonnage was still larger than that under any other flag, it represented only 28 per cent of the total as compared with 37 per cent in 1948 and 50 per cent in 1938. The other large users of the Canal in 1955, in order of importance, were Norwegian, Liberian, French, Italian, Netherlands, Swedish, United States, Danish, German and Panamanian ships. The Liberian and Panamanian flags are flown by ships belonging to shipowners of many different nationalities.

/Suez Canal

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Suez Canal Traffic by Nationality 1955

Nationality	Number of Transits	Suez Net Tonnage	Percentage of Total Suez net tonnage
United Kingdom	4,358	32,789,874	28.23
Norwegian	1,835	15,594,949	13.47
Liberian	1,096	14,030,172	12.12
French	1,217	10,826,255	9.35
Italian	1,376	9,220,244	8.00
Panamanian	904	8,074,498	7.00
Netherlands	687	4,774,138	4.12
Swedish	483	3,822,236	3.30
United States	380	3,134,238	2.71
Danish	379	2,897,246	2.50
German	377	2,458,621	2.12
Greek	273	1,387,280	1.20
Japanese	147	998,498	0.86
Soviet Union	171	901,244	0.78
Portuguese	101	757,818	0.65
Indian	120	616,020	0.53
Polish	102	607,455	0.52
Honduranean	38	420,695	0.36
Belgian	36	367,545	0.32
Turkish	61	346,976	0.30
Costa Rican	83	283,117	0.24
Finnish	51	266,692	0.23
Saudi Arabian	19	242,711	0.21
Egyptian	101	197,537	0.17
Spanish	50	129,833	0.11
Yugoslav	52	120,491	0.10
Pakistani	26	106,797	0.09
Others	143	383,216	0.41
	14,666	115,756,398	100

NOTES:

- (1) The figures are computed according to the official flag of the vessels, without taking into account the nationality of the owners or charterers.
- (2) There were 18 other countries that had total tonnages of between 1,000 and 100,000 net tons passing through the Canal in 1955.

/British Share

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British Share in Suez Canal Traffic  
1952-1955

(Thousand Tons)

<u>Year</u>	<u>Total</u>	<u>British</u>	<u>Percentage British</u>
1952	86,137	28,643	33.3
1953	92,905	31,262	33.6
1954	102,494	32,908	32.1
1955	115,756	32,790	28.3

Movement of Cargoes 1952-1953

(Thousand Tons)

	<u>North-South</u>	<u>South-North</u>	<u>Total</u>
1952	22,001	61,447	83,448
1953	22,518	67,881	90,399
1954	22,370	74,511	96,882
1955	20,082	87,426	107,508

The Persian Gulf countries (as countries from which the cargo originated or to which it was destined) accounted for 66.9 million tons; India, Pakistan, Ceylon and Burma for 11.5 million tons; other countries in South East Asia for 7.6 million tons; China, Japan, Philippines Republic and Liberia for 7.5 million tons; Australia and New Zealand for 5.3 million tons; the Red Sea and Aden for 3.7 million tons; East Africa for 3.7 million tons; and Vietnam and Thailand for 1.3 million tons.

North-South Cargoes

	1955 (thousand tons)
Manufactured Metal Goods	2,731
Cement	2,683
Fertilizers	2,454
Petrol and Petroleum Products	1,905
Machines	1,028
Sugar	996
Woodpulp and paper	611
Chemical Products	556
Salt	497
Cereals and Cereal Products	489
Railway Materials	467
Lubricating Oils	356
Textiles	243
Drinks	217
Asphalt	196
Timber	177
Glass	165
Coal and Coke	159
Paint	116
Raw Cotton	109
Potatoes	86
Other Cargoes	<u>3,772</u>
Total	<u>20,082</u>

The volume of general cargo, other than oil, has been increasing steadily during the past few years. The large quantities of manufactured metal goods, cement and fertilizers reflects the demands of the industrialising and developing countries of South and South East Asia. For example, of the total tonnage - 4.2 million - of metal manufacturing machinery and railway material passing through the Canal in 1955, 1.2 million or about a third went to India, Pakistan, Ceylon and Burma, and another third to other countries in South East Asia and the Far East.

South-North Cargoes

	1955 (thousand tons)
Petrol and Petroleum Products	66,893
Ores and Metals	5,30
Cereals and Cereal Products	2,488
Oil Seeds	1,803
Textile Materials and Fibres	1,744
Rubber	1,349
Sugar	964
Fruits	618
Oilcake	592
Vegetable Oils	583
Timber	492
Jute Manufacture	372
Tea	368
Meat	328
Starch and Flour	266
Coffee	175
Molasses	166
Natural Phosphates	162
Hides and Skins	162
Oils and Animal Fats	160
Metal Manufactures	109
Coal	107
Pig-Iron	106
Dried Vegetables	103
Other Cargoes	<u>2,016</u>
Total	<u>87,426</u>

Petrol and Petroleum products showed a 17 per cent increase over the 1954 tonnage. Of the total of 66,893,000 tons some 42 million tons came from Kuwait, 6.7 million tons from Saudi Arabia, 4.9 million tons from Iran, 3.9 million tons from Qatar and 1.99 million tons from Bahrain. The principal destinations of oil cargoes were Great Britain - (20.5 million tons), France (12.1 million tons), the United States (8.6 million tons), Italy (7.3 million tons) and the Netherlands (7.3 million tons).

Information supplied to the Company by oil companies indicates that within a few years some 90 to 100 million tons of oil products are to be reckoned with.

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8. NATIONALITY OF LINES IN AUSTRALIA-  
UNITED KINGDOM/CONTINENT SHIPPING

<u>Line</u>	<u>Nationality</u>
Aberdeen and Commonwealth	British
Alfred Holt & Co.	"
Australind Steam Shipping Co.	"
Blue Star Line Limited	"
British India Steam Navigation Co. Ltd.	"
Clan Line Steamers Limited	"
East Asiatic Co.	"
Ellerman and Bucknall Steamship Co.	"
Federal Steam Navigation Co.	"
Orient Steam Navigation Co. Limited	"
Peninsular and Oriental Steam Navigation Co.	"
P. & Co. Branch Service	"
Port Line Limited	"
Scottish Shire Line Limited	"
Shaw Savill & Albion Co. Limited	"
Campagnie des Messageries Maritimes	French
Hamburg Amerika Linie	German
Norddeutscher Lloyd	"
Swedish Australia Line	Swedish
Holland Australia Line	Dutch
Lloyd Triestino	Italian

Note: In 1954/55 75% of Conference Line  
 Sailings were made by British Ships.

9. ASSETS OF SUEZ CANAL CO. AS AT 31.12.55  
(Translation)

Movables & Real  
Estate

Francs  
(980 fr. = £stg)

Buildings:

Paris & U.K.	525,509,468	
Egypt	<u>6,349,467,170</u>	6,874,976,638.

Plant:

Plant & equipment	10,155,130,834	
Water works	1,162,460,776	
Offices & various other moveable equipment	<u>381,343,577</u>	11,698,935,187

<u>Plant on Order</u>		2,971,920,771
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<u>Buildings in course of construction</u>		70,437,711
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<u>Plant in course of erection</u>	<u>754,688,281</u>	22,370,958,588
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Realizable Assets & Investments

Cash in hand, banks & credit companies	3,801,190,763	
Short term investments	19,002,931,640	
Long term investments	<u>16,264,514,859</u>	39,068,637,262

Reserve Assets:

Securities & under-written stocks	1,757,847,199	
Pension fund stocks & securities	<u>7,450,261,569</u>	9,208,108,768

Sundry Debtors:

13,019,827,538

<u>TOTAL</u>	83,667,532,156
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= £stg. 85 million  
(in round figures)



10. LONG & SHORT TERM INVESTMENTS OF SUEZ CANAL CO. AS AT 31.12.55.Short term:Francs

Treasury bonds, pension fund securities, etc.	fr. 4,141,407,628	(22%)
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Sterling:

Deposits at 7 days Treasury Bills and bonds	fr. 12,920,556,405	(68%)
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Egyptian

Deposits at 3 & 6 months	fr. 1,767,633,574	( 9%)
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Dollars

Treasury bonds & debentures on short term	fr. <u>173,334,033</u>	( 1%)
	19,002,931,640	

Long term:French Securities:

	fr. 9,578,514,753	(59%)
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Foreign Securities(a) Realizable in France

Deposited in France	fr. 462,150,919	( 3%)
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Filed in New York	fr. 1,915,036,461	(12%)
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(b) Realizable abroad

Belgian francs	fr. 624,223,656	( 4%)
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Sterling	fr. 2,663,412,779	(16%)
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Egyptian	fr. 520,828,239	( 3%)
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Dollars	fr. <u>500,348,052</u>	( 3%)
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	fr. 16,264,514,859	
--	--------------------	--

11. TRADING CO. QUEENSLAND CO., 1955  
(TRANSLATION)

OUTGOINGS

RECEIPTS

Company charges (Pensions, taxes sinking fund etc.)	4,901,422,285	Finance Dept.	1,314,652,262
Staff, Cost of Administration and Services	10,268,730,294	Transit	
		Transit charges	32,371,728,846
		Other receipts	
		(pilots, luggage etc.)	212,113,120
			32,583,841,966
Domaine Commun (?Company's contribution to municipal services)	31,129,417	Incidental receipts	
		Rents of buildings	136,471,191
		Sale of water	257,418,224
		Other receipts	165,797,950
			559,687,365
Costs of the year's trading	15,201,331,996		
Interest and redemption of Registered Capital	1,112,649,388		
Expenses relating to previous financial year	1,210,173,062	Domaine Commun	
	18,304,154,446	(? receipts accruing to company from Municipal Services)	16,400,593
		Receipts on the year's trading	34,474,582,186
		Receipts relating to previous financial year	64,272,515
			34,538,854,701

Total Receipts: 34,538,854,701  
Total Expenses: 18,304,154,446  
Excess of receipts: 16,234,700,255  
Carry over from 1954 87,334,742

= Estg. 16.6 million (in round figures)



## INWARD TELEGRAM

[This document is the property of Her Majesty's Government in New Zealand]

163/4/7/3/3

FROM: New Zealand Ambassador, Washington  
TO: Minister of External Affairs, Wellington No.245  
D: 11 August 1956 15.26 R: 12 August 1956 17.15

No.245 SECRET

### SUEZ CANAL

Mehta informed me this morning that his Government did not consider that Egypt should be asked to do anything more than bring the Convention up-to-date, if necessary by a series of bilateral treaties. This is confirmed by a report shown to me this morning by Makins of a telegram from Macdonald in New Delhi reporting an interview between the latter and Khrishna Menon. Menon said that for Nasser to accept international control was to denationalize the Canal Company. Macdonald stated that Britain was equally insistent that there must be international control. It seems very clear that the Indians will not be helpful.

2. Dulles is not optimistic about the outcome of tomorrow's meeting of Congressional leaders with the President at the White House. The Democrats insisted upon the meeting being with the President rather than Secretary of State and at this crucial election period will not wish to commit themselves by any embarrassing promises to the Administration. The Administration has in mind in the event of Nasser proving recalcitrant, a special session of Congress after the conventions. The Administration also hope to have Congressional representative accompanying the delegation to the London meeting, but Dulles now thinks that the Democrats will not agree to this. Makins fears unsatisfactory press reports of tomorrow's meeting arising presumably from leakages and surmises.

3. Dulles told Makins that it emerged with former's interview with Hammarskjöld yesterday in New York that Hammarskjöld was concerned because the United Nations could not be brought into the picture but that he became somewhat happier when Dulles said that eventually any form of international control of the Canal would have, he thought, some loose connection with the United Nations. Dulles is not himself happy about a Canal control agency coming under the United Nations because the Americans have found that their plans for only a loose connection with the United Nations of the International Atomic Energy Agency have not been born out by events. Menon and the Russians have succeeded in securing a fairly tight relationship between the Agency and the United Nations.

(Signed) TOT:RA

(H.6567)

Prime Minister  
Minister of External Affairs  
Secretary of External Affairs +ACTION  
15.8.56

224

SECRET



# INWARD TELEGRAM

[This document is the property of Her Majesty's Government in New Zealand]

INFORMATION  
COPY

FROM: New Zealand Ambassador, Washington  
TO: Minister of External Affairs, Wellington No.244  
REPEATED: High Commissioner for New Zealand, London No.23  
D: 10 August 1956 20.48 R: 11 August 1956 17.45

No.244  
etc. SECRET

1. We have obtained following information from Rountree, Deputy Assistant Secretary for Near Eastern Affairs, and Wilkins, Director Office of Near Eastern Affairs:

- (a) Attitude on Soviet reply to invitation. United States see no reason to alter time, place, or criteria for invitations and have, we understand, so informed British and French.
- (b) Acceptances. There is still some doubt as to whether Spain, Greece and Indonesia will attend although latter's acceptance is reported in press. Department still does not expect Egypt to attend. Nevertheless, they consider it "right and proper" that Conference be held as scheduled.
- (c) Steps to be taken if Conference fails. Department continue to say that this matter is under study but that no decisions have been taken or will be taken until failure is demonstrated.
- (d) Dulles/Hammarskjöld meeting. Department say that this has no special significance. It is Dulles' intention to keep Hammarskjöld, as Secretary General, informed of situation which may become threat to the peace. Meeting could not be interpreted as paving way for later United Nations action.
- (e) President's meeting with Congressional leaders. Wilkins denied newspaper stories that President will seek views of leaders on a special session of Congress for the purpose of giving him special emergency powers, but Rountree admitted that possibility could not be excluded.

Department were unable to confirm press report that Fawzi is due in New York on Sunday for conversations with Secretary General.

(Signed) TOTARA

(H.6553)

Prime Minister  
Minister of External Affairs  
Secretary of External Affairs  
12.8.56

SECRET



# INWARD TELEGRAM

[This document is the property of Her Majesty's Government in New Zealand]

INFORMATION  
COPY

FROM: High Commissioner for New Zealand, London  
TO: Minister of External Affairs, Wellington No.1101  
REPEATED: New Zealand Ambassador, Washington No.38  
D: 10 August 1956 R: 11 August 1956  
21.28 11.30

No.1101 SECRET AND IMMEDIATE  
etc.

## SUEZ CANAL

As you imply in paragraph 4 of your telegram No.1009 a main problem of the Conference will be to discover some international arrangement which, while strong enough to satisfy those who are not prepared to tolerate unfettered control by Egypt, would yet be mild enough for Egypt to accept (and short of our side backing down, only alternative to this acceptance is imposition by force). There are innumerable possible forms of international arrangements ranging from the extreme of international operation and control proposed by the three Powers through measures of supervision by interested or neutral Powers, to a mere declaration of good intent by Egypt with some international arrangement to intervene in the event of breach of the declaration.

2. Swedish Ambassador (Hagglof whose views I have found sound in the past) called today to discuss Conference. He thought that though three-Power proposal is theoretically excellent (subject to point about United Nations made below) he doubted whether at the Conference a majority even of this group of 24 fairly hand-picked countries could be obtained for international operation and control of the Canal. He thought, however, that some form of supervision, leaving the actual management still in Egyptian hands would command wider support. This does not seem to be entirely excluded by paragraph 4 of your telegram No.1009.

3. The telegrams coming into the Foreign Office tend to support Hagglof's estimate and to indicate that several countries will stress the desirability of securing Egyptian agreement by negotiation and that it will not be possible to avoid considering alternatives less far-reaching than the three Power proposal. It can be taken for granted that the Soviet Union, Greece, India, Indonesia and probably Ceylon will bend over backwards to recognize the Egyptian case and to argue that Egypt should not be fettered much, if at all, more than she was before nationalization or would have been after 1968. Even Norway, in accepting invitation, puts stress on peaceful negotiation and mentions respect for Egypt's legitimate interests. Spanish Foreign Minister prefers that Conference should at least begin "by examining whether, having regard to the continuing operation of the Convention of 1888 under Article 14, adequate guarantees could not be got from Nasser without any new internationalization of the Canal." Spanish Government hope for a solution which would avoid a breach with the Arab world. From Tokyo, discussing reports that Japanese people are by no means in sympathy with Britain and France and tend to believe they are bellicose and have only been restrained by United States. They are a little

(H.6549)

SECRET



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2.

inclined to sympathise with what they believe to be a Bandung under-dog. Dening thinks Japanese are likely not only to take a back seat at Conference but even to abstain if matters are put to a vote.

4. Swedish Foreign Minister spoke to British Ambassador, Stockholm, of desirability of some link with United Nations and gave specific views on achieving this. He said that several countries would probably, like Sweden, wish to reserve their freedom of action at this stage as to methods to win Egyptian cooperation in any programme agreed at London Conference. For this purpose it would be useful to have backing of the whole international community as represented by the United Nations. Mr Unden added that discussions at the London Conference regarding the basis of the new administration may well produce useful new ideas and suggestions, plainly implying that he did not think the three-Power proposal would command sufficient support.

(Signed) DEPUTY

(H.6549)

Prime Minister  
Minister of External Affairs  
Secretary of External Affairs +ACTION

12.8.56

SECRET



## INWARD TELEGRAM

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INFORMATION  
COPY

FROM: New Zealand Ambassador, Washington  
TO: Minister of External Affairs, Wellington No.241  
D: 9 August 1956  
12.30  
R: 10 August 1956  
09.30  
(PRESS)

No. 241

Following are extracts from transcript of President's Press Conference yesterday regarding Suez Canal:

1. In response to question as to how he felt about use or threat of military force in Suez dispute President said:

"The United States has every hope that this very serious difficulty will be settled by peaceful means. We have stood for the Conference method not only as a solution to this problem but in all similar ones. It is well to remember that we are dealing with a waterway here that is not only important to all the economies of the world, but by treaty was made an international waterway in 1888, and is exactly that. It is completely unlike the Panama Canal, for example, which strictly was a national undertaking, carried out under bilateral treaty. Now, I can't conceive of military force being a good solution, certainly under conditions as we know them now, and in view of our hopes that things are going to be settled peacefully.

2. "I think there is good reason to hope that good sense will prevail. Here is something that is so important to the whole world that I think a little sober second thinking is going to prevail in a good many quarters, and it is one of those things that just has to be settled, and I would like to point out that damage and destruction is no settlement when you are trying to build and to construct.

3. In reply to a suggestion that his earlier remarks might be interpreted as meaning that he was opposed to the use of military force under any circumstances in the crisis, President emphasized that he was very careful not to say that. "I said every important question in the world in which more than one nation is interested should be settled by negotiation. We have tried to substitute the conference table for the battlefield. Now, I don't mean to say that anyone has to surrender rights without using everything they can to preserve their rights."

4. He declined to comment on question as to whether military precautions now being taken by Britain and France in the Mediterranean and presumably by the United States Sixth Fleet were justified in a defensive sense.

(H.6505) (Signed) TOTARA  
Prime Minister  
Minister of External Affairs  
Secretary of External Affairs

10.8.56



## INWARD TELEGRAM

[This document is the property of Her Majesty's Government in New Zealand]

INFORMATION  
COPY

FROM: New Zealand Ambassador, Washington  
TO: Minister of External Affairs, Wellington No. 240  
REPEATED: High Commissioner for New Zealand, London No. 22  
D: 8 August 1956 R: 9 August 1956  
19.42 17.00

No. 240 SECRET

From Munro

### SUEZ CANAL

1. I saw Dulles this morning and discussed, until he was interrupted by a call to the President, the Suez Canal situation.

2. From interview, which occupied about half an hour, there is little doubt in my mind that, so far as the Americans are concerned, use of force is rejected or at any rate contemplated with reluctance and grave concern as a solution to present crisis, although if hostilities were to occur they would have to face unpleasant decisions and might avoid implication only with difficulty. Dulles approached the whole position with gravity, shared of course by the President.

3. Dulles showed understanding and sympathy for United Kingdom and French position, perhaps rather for the British than the French. He believed nevertheless that an honest try at peaceful solution should be made and had accordingly pressed Conference proposal in London, although time allowed for preparation was less than he had hoped for but best that could be achieved.

4. While he thought that British and French had become "less precipitate" with passage of time, Dulles did not sense any alteration in their determination to move in with force if there were not "fairly rapid progress" towards achievement of international solution. They were still keyed up and ready to go. He strongly sympathised with their feeling as to impossibility of accepting control of Canal by "bitterly fanatical and highly nationalistic expansionist" like Nasser, who could hold them to ransom, and said that United States would be "right behind them" in that regard.

5. Dulles surveyed at some length importance of Canal as lifeline, particularly for Western Europe. If use of both Canal and pipelines (which were extremely vulnerable) were denied for transport of oil, whole economy of Western Europe would be threatened. Even with expansion of production facilities (in which United States might be able to assist to minor extent) flow of oil to Europe would necessarily be cut from about three million barrels a day to half of that and could not be made up completely from other sources. There was possibility in such circumstances that fuel rationing might be required in the United States which would be a very difficult step

(H. 6489/90)

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S E C R E T

2.

for Administration to take and which would have severe economic repercussions in view of importance of automobile industry for whole economic structure of the country. The effect on American public opinion - which would be sharply divided on question of use of force - was most important.

6. Perhaps most dangerous feature of situation was that national prestige was involved on both sides. Dulles said that he could easily work out in theory a system of international control which would be effective, and advantageous to Egypt, but such a solution did not take account of prestige element. Until this was eliminated, an effective solution would be most difficult. He nevertheless saw "some merit" in the view of the British that they had to keep up momentum and that if they became acquiescent in present situation it would become increasingly difficult to disturb it.

7. It seemed at present as if twentyone invitees would attend Conference, including Greece and Spain, neither of whom could be helpful. He was sure that Egypt would not accept, but that the chances of Russia's attendance might have been enhanced by India's acceptance. It was possible therefore that Conference may commence with all invitees except Egypt. Of these he thought about two-thirds would support a solution based on internationalization. He displayed little relish for intervention of Indians whose objective he thought would be to promote compromise acceptable to Egypt. He did not regard Conference as one which would provide final solution. He emphasized that it was not intended at Conference to go beyond general principles embodied in tripartite proposals which he considered to be sound. If it were possible to obtain majority acceptance of them, progress could then be made on details of representation, authority, payments, etc. but major question would be whether Egypt would continue, in spite of a majority acceptance, to insist on absolute control of Canal operation or whether she would accept some form of international operation.

7. Dulles believed that British and French were right in insisting on some form of internationalization; otherwise 1888 Treaty would be nullified and a "dangerous situation" would be created if Nasser were allowed to use Canal operation for promotion of grandeur of Egypt. Nevertheless, Conference would have effect of consolidating the position of United Kingdom and France and incidentally of giving American public opinion a better understanding and a "better opportunity to align itself with Britain and the West".

8. In response to my enquiry as to whether United States reserved its position in event that United Kingdom and France were to resort to use of force, Dulles replied that that certainly was the case and added that the President could not in any case involve the nation in war without consent of Congress.

9. Copies of full record of interview are being sent to Wellington and London by safehand, and will be available to Mr Macdonald in New York.

(H.6489/90)

(Signed) TOTARA

Prime Minister  
Minister of External Affairs  
Secretary of External Affairs  
10.8.56

223



→ Moscow  
(From UKHC - letter of 16/8/56)  
W. Malenkov  
Mr. Beltinger  
17/8  
7 163/4/7/3/3

THE SUEZ CANAL AND INTERNATIONAL LAW

Loyalty to international agreements is one of the fundamental principles of international law. The Soviet Union has always fulfilled the obligations it has undertaken in international agreements honourably and meticulously. This emanates from the very essence of the Socialist state, from the essence of the policy of peace which is practised by the Soviet Union. Strictly fulfilling the obligations which it has undertaken, the Soviet Union demands the fulfilment of the conditions of international agreements by other countries as well.....

It should be noted that historically this principle is much older than ancient Rome. The ancient Chinese and ancient Indian thinkers had preached the loyalty of a state to the obligations it has assumed, and Confucius considered that of the three things which are important to a state - troops, money and being true to its word - the third was the most essential.

Infringements by the Imperialistic Powers of the Principle of the Observance of International Agreements.  
V. Durdenevsky and S. Krylov.  
International Life,  
No. 2, February, 1955. (Passed for publication 19.2.55).

The proposition that treaties must be observed is considered one of the basic principles of International Law (vide: Pacta sunt servanda). The arbitrary renunciation of obligations assumed under an international treaty is a characteristic feature of the foreign policy of imperialist states.

"International Treaty": Large Soviet Encyclopaedia  
Vol. 14, p. 625. Passed for publication July 19, 1952.

"Pacta sunt servanda" - (treaties must be observed) - a Latin formula used in the literature of international law and in diplomacy as the expression of one of the basic principles of international law. In the Preamble of the Charter of the United Nation's Organisation it says that members of the U.N. must respect obligations arising from treaties and other sources of international law. The USSR and the countries of people's democracy strictly adhere to the principle of "Pacta sunt servanda".

Large Soviet Encyclopaedia. Vol. 31, p. 564.  
Passed for publication, February 5, 1955.

Annulment of an international treaty is sometimes dependent, in the opinion of some representatives of the science of international law, upon a change in that state of facts whose continued existence was envisaged when the treaty was concluded (clausula rebus sic stantibus).

One must bear in mind, however, that the condition of a continuing state of facts to which reference is made is often treated rather broadly and even in the sense that every change in the international situation gives the right to annul a treaty. 222

Such an interpretation of the condition to which reference is made has been used by aggressive countries for self-justification of their cut-throat policy.

International law forbids unilateral arbitrary breach of a contract.

"International Law" Institute of Law of the Academy of Sciences of the USSR, Moscow, 1947, p.369.



The USSR is a mighty sea power. The waters of many seas and oceans, among them the basin of the Mediterranean, wash the Soviet coasts and hence the Suez Canal is of great significance for the Soviet Union. It is used by our State not only for assuring trade routes to foreign countries but, above all, as the shortest and vitally important sea route connecting our Baltic, Northern and especially Black Sea regions with other parts of the great country of Socialism.

Since the construction of the Volga-Don Canal named after V.I. Lenin that has connected the central region of the Soviet Union with the Black Sea, the significance of the Suez Canal for the economic and trade links of the USSR has considerably increased.....

..... The struggle of the Egyptian people for national independence and the resistance exerted by it to the imperialist designs for drawing Egypt into aggressive blocs, in which it has the friendly support of the peoples of other Arab countries, evokes the sympathy of progressive mankind.

The question of the fate of the Suez Canal does not constitute a private question of the mutual relationships of England and Egypt but is a complicated international problem. All States taking part in international trade are interested in a correct and just solution of this problem.....

The Suez Canal should serve the purposes of international navigation without the establishing of distinctions or the granting of advantages to individual powers. No single state should try to obtain a privileged position on the canal.

The Suez Canal

by I.A. Dementyev

Edited by Academician L.N. Ivanov, State Publishing House of Geographical Literature, Moscow, 1954. 69 pages.

PERSONAL.



163/4/7/3/3

O.L.DAVIS, ESQ.,  
DEPT. EXTERNAL AFFAIRS,  
CANBERRA. A.C.T.

With the compliments  
of the  
Information Officer.

*[Signature]*  
17/8/56.

*Mr Bullington*

Office of the High Commissioner  
for the United Kingdom.  
Canberra, A.C.T.

*was 20/8*

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# TELEGRAM

From: THE SECRETARY OF STATE FOR COMMONWEALTH RELATIONS

To: THE HIGH COMMISSIONER FOR THE UNITED KINGDOM, CANBERRA

Despatched: 16.30 hours, 16th August, 1956

Received: 08.16 hours, 17th August, 1956.

PRESSE.

TELEGRAM CIRCULAR W. No. 344.

SUEZ

Text of Foreign Secretary's broadcast on 14th August will be available to you. Following points should be emphasised:-

- (1) Reference to rule of law between nations. Nasser by his purported nationalization of Canal has committed violence against international order.
- (2) United Kingdom military measures are precautionary. It is Nasser who has used force to seize Canal, threatened employees of company with imprisonment, mobilized his troops and initiated a policy based on spite and revenge. We do not know what he will do next.
- (3) References to United Nations should be stressed. We are advocating an international system for Canal not a British one.
- (4) We bear no illwill to Egypt herself.

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SECRETARY OF STATE.

CONFIDENTIAL.



163/4/7/3

O.L. Davis, Esq.,  
Department of External Affairs,  
CANBERRA. A.C.T.

With the compliments  
of the  
~~Information Office~~  
Director of United  
Kingdom Information Services.

Copy of Telegram Circular W.342.

17th August, 1956.

Office of the High Commissioner  
for the United Kingdom.  
Canberra, A.C.T.

*[Handwritten signature]*  
218  
*File Summary*  
*17/8*

National Archives of Australia

NAA: A1838, 163/4/7/3/3 PART 4



# TELEGRAM

From: THE SECRETARY OF STATE FOR COMMONWEALTH RELATIONS  
To: THE HIGH COMMISSIONER FOR THE UNITED KINGDOM, CANBERRA

Despatched: 22.15 hrs. 15th August, 1956.  
Received: 11.00 hrs. 16th August, 1956.

PRESSE:

TELEGRAM CIRCULAR W. 342.

Addressed Circular W. 342 -

By telegram Circular Y 162 paragraph 2.

SUEZ CANAL.

Nasser's Statement of 12th AUGUST.

In commenting on this statement following points  
can be made:

- (1) Conference called by United Kingdom Government will be held as planned. As it is to meet on 16th August it is too late to discuss holding of different Conference. Nasser should have suggested one before his grab.
- (2) Nasser has put himself in wrong by refusing to attend (and tried to cover this by his impracticable suggestion for another Conference). Other countries who disagree with standpoint expressed in threepower statement are nevertheless attending without commitment.
- (3) Nasser has admitted that question of Canal is but he only talks of further guarantees by Egyptian Government of International concern to respect freedom of navigation whereas what is essential is an International system.
- (4) Attention can be drawn to following points in Nasser's statement and broadcast speech:
  - (a) He contended that Canal company could not have an International character because it was registered under Egyptian law and Egypt therefore had right to nationalise it. This is obviously no argument.
  - (b) After paying compensation Nasser hoped to obtain £16,000,000 a year from Canal (the gross and not the net profit), thus in spite of his reference to depreciation and development in his broadcast speech these figures show that he intends to set nothing

/aside



# TELEGRAM

From: THE SECRETARY OF STATE FOR COMMONWEALTH RELATIONS

To: THE HIGH COMMISSIONER FOR THE UNITED KINGDOM, CANBERRA

Despatched:

Received:

- 2 -

aside for depreciation or development to offset this. He asserted that Director in International Bank told him that Bank would lend a Billion Dollars to widen canal on certain conditions. Bank have denied this assertion.

- (c) Story that 120,000 Egyptians died in construction of Canal was repeated in statement in spite of exposure of this allegation in Economic and Social Council and elsewhere as an old tale of Herodotus. It is clear that even now Nasser has failed to grasp realities of problem created by his seizure of Canal.

SECRETARY OF STATE.

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163/4/7/3/3

20th August, 1956

Memo. No. *386* .....The Australian Embassy,  
PARISSUEZ CANAL

Attached for your information is a record of conversation between the French Ambassador (M. Sivan) and the Acting Secretary on 17th August, 1956, during which the above subject was discussed.

*J. Plimsoll*  
(J. Plimsoll)  
Acting Secretary

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CONFIDENTIAL

File No. ....

EXTERNAL AFFAIRS.Record of Conversation with the FRENCH AMBASSADOR (M. SIVAN)on 17th August, 1956Officers Present ACTING SECRETARY (MR. PLIMSOLL)MAIN SUBJECT(S):(1) SUEZ CANAL; (2) INDONESIA.

1. M. Sivan said that he was calling principally to pay his respects on his return from a visit to Central Australia. He had been very interested in what he had seen and had been very well looked after by everybody.

Suez Canal:

2. M. Sivan said that, because of his absence from Canberra, he had not been able to talk to us himself about the crisis over the Suez Canal but that had been done by his staff. He asked whether there was any further development that I wished to bring to his attention.

3. I showed M. Sivan telegram No.2234 from London reporting the first day of the Suez Canal Conference; and also telegram No.146 from Manila reporting the Philippine attitude. I said to M. Sivan that our position was already known to the French Embassy and that I did not think that in the next few days there would be very much that could be usefully passed on to Paris from Canberra. At this stage of the matter, the centre of things had shifted to London, and M. Pinaud would be dealing directly with Mr. Menzies and Mr. Casey. The basic approaches of Governments had been defined for their representatives, and it was now a question of handling the matter on the spot in the light of developments as they arose at the Conference.

Indonesia:

4. As M. Sivan had been French Ambassador to Djakarta, I sounded him on his views on the latest developments in Indonesia, particularly the repudiation of the debt to the Dutch and the attempted arrest of Abdulgani. I told him that our information indicated that Nasution (the Indonesian Chief of Staff) was opposed to the arrest of Abdulgani, and that Lubis had probably favoured it. Sivan said that he thought we could take it for granted that the Army was split, and he said that Nasution and Lubis would almost automatically take opposite positions. He personally was very surprised to hear any suggestion of corruption on the part of Abdulgani, whom he regarded as one of the more honest Indonesian officials.

5. Sivan expressed a fear that the nationalization of the Suez Canal would lead to public pressure in Indonesia

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FOLLOWING POST(S): Paris, Djakarta, The HagueReport prepared by *J. Plimsoll* (J. Plimsoll)ACTION:

2980/55.

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2.

Record of Conversation with THE FRENCH AMBASSADOR (M. SIVAN)  
on 17th August, 1956

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for nationalization of Dutch private interests, particularly the estates. He thought that this pressure would come from the trade unions and some of the Members of Parliament. He thought that the nationalization would not be favoured by the Government nor by Sukarno himself, who realized the magnitude of the problems that would confront the Indonesians if they tried to run everything themselves. However, Sivan said a lot of governments in Africa and Asia were now being pushed by public opinion to go further and faster than they wanted.

.....

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CONFIDENTIAL



CONFIDENTIAL

DEPARTMENT OF EXTERNAL AFFAIRS.

INWARD CABLEGRAM. IM 10874/903

BH:HMcC

Dated: 16th August, 1956.  
2200  
Rec'd: 17th August, 1956.  
0915

FROM:-

Australian High Commission,  
L O N D O N.

2234. CONFIDENTIAL.

Repeated Saving Washington 155.

From External.

Suez Canal Conference.

The Conference opened this morning. Contrary to expectation the procedural side was disposed of at a brief morning session. When the draft Rules of Procedure, circulated by the United Kingdom, were considered yesterday by Commonwealth representatives it became apparent that India, Ceylon and Pakistan were opposed to any provision for voting, and India was against formulation of Agenda as proposed by the United Kingdom in the following terms "to decide whether, and if so what, steps should be taken to establish operating arrangements under an international system designed to assure continuity of operation of the Suez Canal as guaranteed by the Convention of 29th October 1888 consistently with legitimate Egyptian interests and to deal with any necessary financial and other ancillary measures". Indians regarded this as tending to prejudice the issue and wanted Agenda to read merely "problem of the Suez Canal". These objections were supported by the Soviet representative at meeting of all Delegations prior to the opening of the Conference this morning.

2. Selwyn Lloyd was elected Chairman with no opposition beyond the point of doubt sounded by Shepilov whether the United Kingdom, as a directly interested party, was best suited to occupy the chair. India and Pakistan spoke in favour of Lloyd who pointed out that all countries present were directly interested.

3. Threatened wrangle over Rules of Procedure and Agenda, (in the course of which Shepilov again went on record with Soviet objections to the origin of the Conference and the range of participation), was cut short when Lloyd

(1) suggested that the question of voting be postponed until possible need arose later

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(11) asked whether any formulation of the Agenda was really necessary. He undertook to be guided, as Chairman, by the Rules of Procedure followed in the main United Nations Committees and agreed that any ruling he might give would be subject to challenge. There was no dissent.

4. The Conference was thus able to embark on substance this afternoon. Dulles opened with a general statement

CONFIDENTIAL



CONFIDENTIAL

DEPARTMENT OF EXTERNAL AFFAIRS.

INWARD CABLEGRAM. 10874/903

on the history and importance of the Canal and proposed that the Conference should aim at arrangements for international control on the following lines:

- (a) Operation of the Canal in accordance with the 1888 Convention would become the responsibility of an international board in association with the United Nations. The Board would be so composed as to ensure that the Canal operation would be non-political and would not favor any one user.
- (b) The right of Egypt to a fair return from the Canal would be recognized.
- (c) Provision would be made for fair compensation for shareholders.
- (d) Any differences arising out of (b) and (c) should be submitted to Arbitration in the framework of the International Court.

Within these proposals there was room for flexibility. It might be said that such arrangements would limit Egyptian sovereignty. But Egyptian sovereignty was in fact already limited by the 1888 Convention.

5. Sweden considered any signatory of the 1888 Convention was entitled to convene a Conference. He thought it wise to accept nationalisation as fait accompli notwithstanding the undesirable means used and considered the Three Power proposals as circulated should provide the basis for acceptable arrangement which United Nations should consider annually and have the Power to revise if necessary. Portugal emphasised the need to preserve freedom of seas, likewise Italy which stressed its own dependence on the Canal and, while generally welcoming Dulles' proposals, reserved the right to comment on any final resolution that might emerge. Indonesia also stressed the importance of the Canal to Indonesian trade but at the same time underlined its respect for the Rights of Egypt. The Agreement of 1859 recognized the Canal Company as "entirely Egyptian". The 1888 Convention could continue to be used as a guarantee of the freedom of navigation.

6. No other speakers offered and Pineau noting that the rapid agreement on procedure had caught the Delegates by surprise proposed adjournment until tomorrow.

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A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE  
A/MIN. & DEPT. TRADE (C)  
TREASURER & TREASURY  
MIN. & DEPT. S. & T.  
P.M'S.

17th August, 1956.

SEC A/Ss L&T(DIV.5) UN ER OR PAC&AM EA AM&SP S&SEA  
SA SEA EAF&ME E AF&ME INF DL M.T. C&P  
G

CONFIDENTIAL



2.30:

The viewpoints of Russia and the Western Powers were put forward yesterday at the opening sessions of the London conference on Suez. Mr. Shepilov suggested that although the London conference might be useful, it should be regarded as a preliminary to a wider conference to include more nations. Mr. Shepilov disagreed with certain aspects of the present conference, but he said he did not intend to question the agenda, and he would be ready to discuss matters of substance at once. Mr. Dulles put forward proposals which a British spokesman said later represented the co-ordinated views of the Western Powers. Mr. Dulles said the Canal should be made the responsibility of an international board, associated with the United Nations and with Egyptian representation on it. He said the legitimate rights of Egypt should be recognised and she should receive an equitable return from the Canal. Meanwhile, President Nasser's personal envoy, Wing Commander Sabri, has arrived in London. He told reporters he was on a completely unofficial mission and he did not intend to lobby any of the nations taking part in the conference. He emphasised there could be no compromise involving Egyptian independence and sovereignty: Egypt must still control the affairs of the Canal, and no other countries could share in this control.

Moscow Radio was one of the first to comment on the first day of the conference. In an English language broadcast a commentator said the first day's proceedings indicated that an approach to the problem might be found acceptable to all parties.

Australia has sent an expert on irrigation to the Soviet Union to attend a training centre and make a study tour. The tour and training have been organized by the Food and Agriculture Organization of the U.N. and will take place this month and next. Invitations to send observers were sent to Britain, France, South Africa, New Zealand and Australia. The Acting Minister for External Affairs, Sir Philip McBride, announced today that the Australian representative was Mr. Frank Penman, of the C.S.I.R.O. who is the senior officer in charge of irrigation research at Merbein (Vic.) and Griffith (N.S.W.). Sir Philip said the training centre was expected to yield information of considerable value. The four weeks' study tour would take place in the republics of Uzbekistan, Azarbaijan and the Ukraine.

A tribute to the work of the Chinese Nationalists on Formosa was made last night by Sir John Latham, the leader of an Australian goodwill mission which is just ending a visit to Formosa, and he was broadcasting over Taipeh Radio. He described the Formosans as an orderly, highly civilized and healthy people, with no apparent signs of disease or malnutrition, and not all oppressed or unhappy, as the world had been given to believe. He praised the island's health services and land reform, and said that on his return to Australia he would do his utmost to foster trade and cultural relations with Formosa.

210

1.30:

The U.S. Democratic Party Convention in Chicago has nominated Mr. Adlai Stevenson as the party's candidate in the November Presidential elections. Mr. Stevenson won the nomination on the first ballot. Governor Averell Harriman, of New York, was overwhelmingly defeated.



MCR:SHA

DEPARTMENT OF EXTERNAL AFFAIRS  
**RESTRICTED**  
**INWARD CABLEGRAM.** 163/4/7/3/3  
1.10882.

FROM:

Australian Embassy,  
MANILA.

Dated: 16th August, 1956.  
1751  
Recd.: 17th August, 1956.  
0830

146.

RESTRICTED.

Repeated London for Tange.

Reference my telegram 118. Suez Canal.

The Vice President has now formally advised me  
as follows:

"The Philippines Government stands for any amicable arrangement which would respect the sovereign rights of Egypt and at the same time reaffirms recognition of the rights of other countries participating in the control and administration of the Suez Canal so as to assure international freedom of navigation through it and guarantee against discrimination, arbitrary and/or unreasonable toll rates, laws or regulations for the use thereof."

2. This seems highly satisfactory for an Asian country. The British Ambassador is delighted.

Shann.

A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE  
TREAS. ' TREASURY  
MIN. & DEPT. S. & T.  
A/MIN. & DEPT. TRADE (C)  
P.M.'s

17th August, 1956.

SEC A/Ss UN ER CR PAC&AM AM&SP S&SEA SA SEA EAF&ME E  
AF&ME INF DL MT C&P  
G

National Archives of Australia

NAA: A1838, 163/4/7/3/3 PART 4

CONFIDENTIAL

DEPARTMENT OF EXTERNAL AFFAIRS.

163/4/7/3/3  
I. 10963.

JG:DM

**CABLEGRAM.**

Sent: 18th August, 1956.  
1613.

Recd: 19th August, 1956.  
0900.

FROM:

Australian Legation,  
CAIRO.

182. CONFIDENTIAL.

My telegram 178.

1. The new system of three convoys was first proposed  
in a circular letter to shipowners last June.

2. Purpose is to make better use of available pilots  
by giving the Suez pilots no night duty and doubling the size of  
north bound convoys.

Details by bag.

MIN. & DEPT. DEFENCE.  
A/Min. & DEPT. EA.  
A/MIN. & DEPT. TRADE (C)  
TREASURER & TREASURY.  
MIN. & DEPT. S&T.  
PM'S

19th August, 1956.

SEC A/Ss L&T(DIV.5) UN ER CR PAC&AM AM&SP S&SEA SA SEA  
E.AF&ME E AF&ME INF DL MT C&P.  
G:  
G.

208

CONFIDENTIAL



CONFIDENTIAL

DEPARTMENT OF EXTERNAL AFFAIRS.

163/4/7/3/3.

DW:ABK.

INWARD CABLEGRAM.

1. 10029.

FROM:

Australian Legation,  
CAIRO.

Dated: 17th August, 1956.  
1425.  
Rec'd: 18th August, 1956.  
0900.

178. CONFIDENTIAL.

Reference my telegram No. 176.

1. Position still obscure. It seems almost certain however that the reduction in number of convoys is due to pilots not having returned from leave presumably with the connivance of the old company. Canal authority apparently hopes that the reduction will effect economy in pilots. They state that the engagement of new pilots will permit return to normal in two to three weeks but the British Consul in Suez doubts this.

2 We have been given an estimate that the reduction will result in ten per cent of the ships using the Canal being delayed 24 hours: this compares with six to seven per cent before nationalisation.

3. There is another report to which little credence given that reduction due to the Egyptians making increased use of Fir Dan bridge.

A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE.  
A/MIN. & DEPT. TRADE (C)  
TREASURER & TREASURY.  
MIN. & DEPT. S.&T.  
P.M.'S.

18th August, 1956.

SEC A/Ss L&T(DIV.5) UN ER CR PAC&AM AM&SP S&SEA SA  
E.A.F&ME E INT DL MT C&P.  
G.

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CONFIDENTIAL

DEPARTMENT OF EXTERNAL AFFAIRS.

163/4/7/3/

MG:ME

**INWARD CABLEGRAM** 10881.

Dated: 16th August, 1956.  
1805  
Rec'd: 17th August, 1956.  
0900

FROM:

Australian Legation,  
CAIRO.

176. CONFIDENTIAL.

Reference your cable 161.

It is claimed that action is intended to hasten the clearance of accumulated shipping at both ends of the Canal. We are seeking clarification of this apparent contradiction.

2. Shortage of pilots is probably a contributing factor, but the Canal authority states that the normal number of convoys will be resumed in a few days.

3. Up to 5 p.m., strike has produced no incidents in Cairo.

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A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE.  
A/MIN. & DEPT. TRADE (CANB.)  
TREASURER AND TREASURY.  
MIN. & DEPT. S. & T.  
P.M.'S.

17th August, 1956.

SEC A/Ss L&T(Div. 5) UN ER CR PAC&AM AM&SP S&SEA  
SA SEA E.AF&ME E AF&ME INF DL MT C&P

G

206



RESTRICTED

163/4/7/3/3

## CABLEGRAM.

FELAS

I.10879

Dated: 16th August, 1956

1912

FROM:

Rec'd: 17th August, 1956

0830

Australian Embassy,  
PARIS.272. RESTRICTED.

Addressed Canberra 272 repeated Savingram London

80.

SUEZ CONFERENCE.

The French press of 16th August emphasise the "complete agreement of the "Three" on the principle of international operation of the Canal" and that "from the start they have formed a common front".

2. Some express concern at the veering of opinion, (particularly Labour Party opinion), in England away from support for "firm stand".

3. "Humanite" (Communist) warns that the attitude of the French Government in preferring "firm stand" to negotiation will end by isolating not Egypt but France.

4. "Times" correspondent in Paris reporting an interview with the American Embassy stresses that Arab nationalism is looking more and more towards American air base in Morocco and cites activities of the Istiqlal party who are urging the Moroccan Government to take immediate action against the base.

5. U.S.S.R. Ambassador has returned to Moscow for a month's holiday.

Stirling.

A/MIN&DEPT EA  
MIN&DEPT DEFENCE  
A/MIN&DEPT TRADE (C)  
TREASURER&TREASURY  
MIN&DEPT S&T  
P.M'S

17th August, 1956

203

RESTRICTED

(RS)

24

*for Belknap*  
*was*  
*163/47/3/3*

U.S. AIM AT SUEZ TALKS IS TO REMOVE ISSUE FROM WORLD POLITICS (960)

LONDON AUG 15 -- MAJOR OBJECTIVES OF UNITED STATES POLICY IN THE SUEZ CANAL CONFERENCE BEGINNING HERE THURSDAY ARE TO GET THE CANAL ISSUE OUT OF THE SPHERE OF INTERNATIONAL POLITICS, FIND A FORMULA BY WHICH THE CANAL CAN BE OPERATED BY AN EFFICIENT BUSINESS ADMINISTRATION OF AN INTERNATIONAL CHARACTER, AND SETTLE UPON THE STEPS THAT CAN BE TAKEN TO ASSURE THE SHIPS OF ALL NATIONS -- REGARDLESS OF FLAG OR CARGO -- UNIMPEDED ACCESS TO THE CANAL.

THESE POINTS WERE MADE UNMISTAKABLY CLEAR HERE TONIGHT (BY AN UNIMPEACHABLE SOURCE) ON THE EVE OF THE 22-NATION

*McLendon*  
*Received for Belknap 17/9/36*  
*W.H.*  
*20-4*  
*17/8/36*  
*W.H.*

National Archives of Australia

NAA: A1838, 163/47/3/3 PART 4



CONFERENCE WHICH OPENS AT LANCASTER HOUSE AT 1000 GMT THURSDAY.

AS THE UNITED STATES SEES THE CONFERENCE, IT IS AN OPPORTUNITY FOR INTERESTED NATIONS TO EXCHANGE VIEWS AND SEEK AGREEMENT ON PROPOSALS WHICH WOULD PROVE SATISFACTORY TO EGYPTIAN OFFICIALS AND AT THE SAME TIME PROVIDE BASIC GUARANTEES FOR FREEDOM OF MOVEMENT IN THE WATERWAY, UNHAMPERED BY FLUCTUATIONS OF A POLITICAL NATURE.

BECAUSE OF THE INTRICATE CHARACTER OF SHIPPING OPERATIONS, U.S. OFFICIALS ARE FIRMLY CONVINCED THAT SOME FORMULA FOR INTERNATIONAL OPERATING CONTROL OF THE CANAL MUST BE FOUND. THE WORLD CANNOT RELY EXCLUSIVELY ON SOME KIND OF APPEAL BOARD OR SUPERVISORY ORGAN, IF BASIC INTERNATIONAL RIGHTS ARE TO BE PROTECTED IN THE U.S. VIEW.

HOWEVER THE AMERICANS DO NOT THINK THE FORTHCOMING CONFERENCE WILL REACH DECISION WHICH WILL CONSTITUTE AN ULTIMATUM TO EGYPT. THE U.S. OFFICIALS EXPECT THE CONFERENCE TO FORMULATE SOME REASONABLE PROPOSALS WHICH WILL NOT BE IMPOSED ON EGYPT BUT WHICH WILL BE EXPLAINED TO EGYPT IN THE HOPE THAT THE NATIONS WILL RESPOND FAVORABLY.

EGYPTIAN REJECTION OF REASONABLE PROPOSALS WILL SWING U.S. PUBLIC OPINION BEHIND THE CASE OF BRITAIN AND FRANCE, IN THE VIEW OF U.S. LEADERS. IF, ON THE OTHER HAND, BRITAIN AND FRANCE APPEAR UNREASONABLE IN THE CURRENT CRISIS, U.S. AUTHORITIES THINK AMERICAN PUBLIC OPINION MIGHT SWING THE OTHER WAY.

AMERICAN LEADERS ARE ENCOURAGED TO BELIEVE THAT A REASONABLE AND ACCEPTABLE SOLUTION MIGHT BE POSSIBLE AS A RESULT OF THE EXTENSIVE ROUND OF BILATERAL TALKS HELD HERE TODAY BETWEEN THE U.S. DELEGATION AND LEADERS OF OTHER KEY DELEGATIONS -- INCLUDING SOVIET UNION'S DMITIR SHEPILOV AND INDIA'S KRISHNA MENON.

IN ADDITION TO THESE TWO, U.S. OFFICIALS HAVE TALKED WITH THE <sup>203</sup> FRENCH, BRITISH, ITALIAN, AND SPANISH FOREIGN MINISTERS AND HAVE FOUND THE ATMOSPHERE CONSIDERABLY CALMER THAN THAT WHICH EXISTED HERE TWO WEEKS AGO WHEN THE MINISTERS OF THE U.K., FRANCE AND U.S. CONVENED FRESH ON THE HEELS OF THE CRISIS CREATED BY EGYPT'S

PRESIDENT NASSER DECREE NATIONALIZING THE SUEZ.

U.S. LEADERS ARE GRATIFIED TO FIND THAT MUCH OF THE ELEMENT OF INTERNATIONAL PRESTIGE -- EITHER BRITISH OR FRENCH OR EGYPTIAN OR ARAB -- HAS BEEN REMOVED FROM THE ISSUE AND THOSE NATIONS NOW ARE MORE WILLING THAN BEFORE TO DISCUSS WHAT THE U.S. THINKS IS THE REAL PROBLEM -- THAT OF UNIVERSAL ACCESS TO THE CANAL.

SO FAR, THE U.S. HAS FOUND BRITAIN AND FRANCE TAKING A REASONABLE ATTITUDE TOWARD THE ISSUE AND ARE REMAINING FLEXIBLE IN THEIR POSITIONS. TALKS WITH OTHER DELEGATES HERE SO FAR HAVE SHOWN AN OPEN-MINDED APPROACH TO THE PROBLEM.

THE U.S. BELIEVES THAT EVEN EGYPT, WHICH DECLINED TO PARTICIPATE IN THE CONFERENCE, IS CONVINCED THAT THE SITUATION CANNOT REMAIN AS IT IS AND THAT SOMETHING NEEDS TO BE DONE. A POINT AT ISSUE, IN THE U.S. VIEW, IS WHAT NEEDS TO BE DONE. AND THERE IS A WIDE VARIETY OF OPINION ON THIS POINT.

U.S. OFFICIALS SEE A BASIC DIVISION IN THE OPINION BETWEEN THOSE WHO THINK THE EGYPTIAN PROMISES AND PLEDGES ARE GOOD ENOUGH AND THOSE WHO THINK THE ONLY POSSIBLE SOLUTION OF LASTING VALUE WOULD BE ONE WHICH TOOK THE ISSUE OUT OF THE AREA OF INTERNATIONAL POLITICS WHERE THE MOVEMENT OF SHIPS COULD BE AFFECTED BY THE SUDDEN DECISIONS OF A SINGLE POWER.

FOR EXAMPLE, THE U.S. HAS IN MIND THAT EGYPT HAS, FOR SOME TIME, DENIED THE CANAL TO ISRAELI SHIPS DESPITE UN SECURITY COUNCIL CONDEMNATION. AS A RESULT, NATIONS SUBJECT TO EGYPTIAN ANIMOSITY TODAY ARE NOT CERTAIN WHAT WILL HAPPEN TO THEIR SHIPPING AT ANY TIME. EGYPT WISHES TO HALT VESSELS. IT IS THAT KIND OF POLITICAL CONTROL WHICH THE U.S. SEEKS TO REMOVE BY ESTABLISHING AN INTERNATIONAL CONTROL FORMULA.

SUCH A FORMULA WOULD NOT INFRINGE ON EGYPT'S OWNERSHIP OF THE CANAL WHICH IS NOT CONTESTED BY THE U.S. AMERICANS BELIEVE EGYPT HAS THE RIGHT TO THE TITLE OF THE CANAL BUT, SINCE IT IS AN INTERNATIONAL

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WATERWAY OF VITAL INTEREST TO ALL SHIPPING NATIONS, THE U.S. INSISTS THAT ONE NATION NOT HAVE ABSOLUTE OPERATING CONTROL.

THE U.S. COMPARES THIS SITUATION WITH A PUBLIC UTILITY WHERE THE CORPORATION OWNS PLANTS AND FACILITIES BUT DOES NOT HAVE UNLIMITED POWER TO CUT OFF CURRENT TO CONSUMERS AT WILL.

THE KIND OF SOLUTION THE U.S. ENVISAGES WILL NOT MEAN EGYPTIAN DOMINATION OF THE CANAL AND WILL NOT MEAN ANGLO-FRENCH DOMINATION OF THE CANAL. IN FACT, THE U.S. IS KNOWN TO FEEL THAT A SOLUTION OUGHT TO BE FOUND THAT WOULD INCREASE EGYPTIAN PARTICIPATION IN THE AFFAIRS OF THE CANAL AND AT THE SAME TIME GUARANTEE UNRESTRICTED USE OF THE WATERWAY.

MEANWHILE, IT IS KNOWN THAT THE FIRST DAY OF BILATERAL TALKS PRECEDING CONFERENCE OPENING PRODUCED NO UNPLEASANT SURPRISE FOR THE U.S. DELEGATION.

SECRETARY OF STATE DULLES, IN HIS FIRST MEETING WITH SOVIET FOREIGN MINISTER SHEPILOV, FOUND NEGOTIATIONS WITH THE LATTER VERY SATISFACTORY. AMERICAN OFFICIALS WERE FAVORABLY IMPRESSED WITH SHEPILOV'S PRESENTATION OF HIS ARGUMENTS AND GOT THE INITIAL IMPRESSION THAT HE MIGHT BE A SATISFACTORY PERSON WITH WHICH TO DO DIPLOMATIC BUSINESS. WHILE SHEPILOV'S VIEWS WERE BY NO MEANS THE SAME AS THOSE OF THE U.S., HE WAS FRANK IN HIS APPROACH TO THE PROBLEM AND MADE NO EFFORT TO GLOSS OVER BASIC DIFFICULTIES.

SOVIET VIEWS ARE CURRENTLY INCLINED TOWARD THE EGYPTIAN POSITION BUT SHEPILOV AND AMERICAN OFFICIALS FOUND SOME AREAS OF AGREEMENT IN THEIR TALKS TODAY. AMERICAN OFFICIALS MAKE IT CLEAR THAT THEY MAY REVISE THEIR OPINION OF THE NEW SOVIET FOREIGN MINISTER BUT THE FIRST CONFERENCE WITH HIM IS REGARDED AS FAVORABLE.

IN SUMMARY, THE PICTURE AT THE END OF BILATERAL TALKS THE EVE OF THE CONFERENCE APPEARS, TO U.S. OFFICIALS, AS HOPEFUL.

\*\*\*

201

Mr Kennedy  
wms

163/4/7/3/3

A.B.C. NEWS - FRIDAY, 17th AUGUST, 7.45 a.m.

Proposals for a settlement of the Canal dispute were put forward by Mr. Dulles when the London conference opened last night. Mr. Dulles' statement incorporates statements already announced by the Western powers. They are - that the Canal should be operated efficiently; that its operation should be divorced from national politics; that fair compensation should be paid to the shareholders of the Suez Canal Company; that the legitimate rights of Egypt should be recognized, and that Egypt should receive an equitable return; the Canal should operate in accordance with the 1888 Convention and should be made the responsibility of an international board. Mr. Dulles further suggested that the board should be associated with the United Nations, and that Egypt should be represented on this board, so that no single power or group of powers would dominate it. Mr. Dulles said his proposals were flexible, and he thought Egypt's views should be ascertained. The essence of the problem, he said, was to maintain confidence in the Canal, without which there would be no steady flow of traffic through it. This required a non-political administration.

Mr Dulles  
File wms 200



SECRET

163/4/7/3/3

DEPARTMENT OF EXTERNAL AFFAIRS.

RR:SH

O. 11177

**OUTWARD CABLEGRAM.**

TO:

Sent. 16th August, 1956  
1505

Australian Legation,  
C A I R O.

161. SECRET

Radio Australia yesterday reported  
Egyptian canal management as saying that number of convoys  
through canal is being reduced from four to three daily.

2. Glad of your confirmation, reasons for  
the reduction and whether effect will be to lower average  
daily traffic.

(COST £2.16.8)

16th August, 1956

A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE  
TREASURER & TREASURY  
A/MIN. & DEPT TRADE (C)  
MIN & DEPT. S&T  
P.M.'s

SEC A/S's UN TA@ PAC&AM AM&SP S&SEA SA  
EAL&ME E AF&ME . INF C&P

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SECRET

FA

DEPARTMENT OF EXTERNAL AFFAIRS.

*Keating*

**INWARD TELETYPE MESSAGE.**

MESSAGE NUMBER 3461 15.8.56

TO KEATING E A CANBERRA

FROM GOSS E A MELBOURNE

*Urgent.*  
YOUR 4042.

THE REPORT ~~IS~~ IS THE NATIONALISED SUEZ AUTHORITY HAS ANNOUNCED  
THAT THE NUMBER OF CONVOYS DAILY THROUGH THE CANAL IS BEING REDUCED  
FROM 4 TO 3 AS FROM TODAY. NO REASON WAS GIVEN.

THE MESSAGE APPEARED IN THE ABC'S LONDON SERVICE.

MESSAGE ENDS NH

THAT ONE SHOULD BE URGENT PLS

198



168/4/7/23.

SUMMARY OF CABLES RECEIVED BY U.K. HIGH COMMISSION

Dated 16th August.

U.K. aim at London Conference will be to get maximum agreement to the scheme of international control set out in my telegram under reference (international authority to operate the canal). Although we are prepared to consider other proposals put forward we are not prepared to accept anything short of effective international control. Expect Conference to last about one week.

.....

16th August

Nasser to Italian Ambassador.

- (1) Does not want failure of London Conference but hopes proposals for solution will emerge which are not rigid and not take it or leave it basis.
- (2) Ready to examine proposals which did not impinge Egyptian dignity or sovereignty. Egypt would take any date or place even London.
- (3) No discussion on nationalisation.
- (4) Could not accept any administration of canal not wholly Egyptian. Ready for international consultation body with competence in all fields.

● ● ● ● ● ● ● ●

16th August

(Use with discretion)

Iraq.

Nasser might accept an international body whose duties would include improvement of canal, organisation of passage, and assurance of freedom of navigation.

Egypt had requested Iraqi Government to undertake mediation with U.K. and U.S.A. to realise these aims.

Iraq said no intention of accepting role of mediator. Nuri thought important that U.K. should maintain greatest firmness.

• • • • •

A. Leighton. <sup>Recd. Wm. H. H. 18/8/56</sup>  
 Has called this afternoon  
 Wm 7/8

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CONFIDENTIAL



295/6  
300/-

17 AUG 1956  
163/4/7/3/3.  
HIGH COMMISSIONER FOR AUSTRALIA  
IN THE UNION OF SOUTH AFRICA

PRETORIA

10th August, 1956

DESPATCH NO. 18/56

S i r,

South Africa and the Suez Canal Crisis

I have reported the most important aspects of South Africa's reaction to Egypt's nationalisation of the Suez Canal in my telegrams 54, 57 and 59 and in Savingram No. 17/56. You may be interested, however, to have the following consolidated and fuller account of the South African attitude to this question.

Importance to South Africa.

South Africa being neither a principal user of the canal nor a signatory to the 1888 convention, nor one of the main maritime countries, did not come within the categories invited to participate in the forthcoming conference on the Suez Canal question. However, the Union has a special and wide interest in the present crisis. The Union Government firmly recognizes that South Africa cannot be isolated from developments elsewhere in Africa, especially in the Middle East which is regarded as the "northern gateway to Southern Africa." Moreover, the Government has in the last twelve months been pursuing a policy of improving relations with other African states and territories while, at the same time, working for the establishment of a Southern African Defence Organization. The present Suez crisis impinges on both of these policies, and has therefore provoked extensive and continuous public comment here and has commanded the persistent attention of the Cabinet, especially the Prime Minister and the Minister of External Affairs.

Initial Government Reaction.

The United Kingdom High Commissioner, Sir Percivale Liesching, saw both Mr. Strijdom and Mr. Louw on 29th July and on the basis of instructions received on the previous day from the Commonwealth Relations Office, urged them to support the firm stand which the United Kingdom and France were taking against Egypt and to consider freezing the Canal Company's assets in South Africa. Liesching also emphasised to Louw and Strijdom what he regarded as the danger of "a passive attitude" and intimated that the United Kingdom could not allow Nasser "to get away with it." He added that the West should seize the opportunity of putting the Canal under proper international control as a permanent arrangement and that "in the last resort force may have to be used to secure Egyptian agreement."

Despite the United Kingdom High Commissioner's pressure, Mr. Louw, following a Cabinet meeting on 31st July, issued a cautious and non-committal statement. The main point which Louw made in this statement was that South Africa was not affected by the nationalisation of the Canal which was a "domestic affair of Egypt's." Although he expressed "concern" at the development of a serious situation in the "continent of which South Africa was a part", he did not condemn Nasser's action and,

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in fact, accepted, by implication, Nasser's assurance that the terms of the 1888 Convention would be observed.

The full text of this statement is attached as Annex "A" to this Despatch.

#### Public Reaction.

The reception of Mr. Louw's statement by the English-speaking press was strongly critical. Editorial comment in the major Johannesburg and Pretoria English-language newspapers termed the statement 'ill-considered', 'unfortunate', 'ill-timed' and 'ambiguous and unsatisfactory'. The most serious criticism was directed against Mr. Louw's statement that the nationalisation of the Canal was a "domestic affair" and the "Star" pointedly recalled in this context Mr. Strijdom's recent London reference to the two world wars as "local quarrels."

The Nationalist press was apparently caught somewhat unawares by Mr. Louw's statement as it had previously been critical of Egypt's unilateral action. "Die Transvaler" (the Government's mouthpiece) performed a complete volte-face. Before the statement it had commented editorially that Nasser's action had "deeply touched the destinies of the Union's inhabitants." Subsequently, however, it commented that "the Union has nothing to do with the Canal" and it attacked the English-language press for its "lackey mentality and fawning attitude towards Britain."

A number of leading figures, including members of the United Party, and Major-General Sir Francis de Guingand, who has settled in South Africa, called for a positive condemnation of Nasser's action and a firm stand in support of the United Kingdom.

#### Policy Change.

Mr. Louw's initial statement was interpreted in some quarters as marking a change in policy. Dr. Malan, the former Prime Minister, stated, inter alia, in the House of Assembly in August, 1953, that South Africa was vitally interested in keeping open the Suez Canal and added that "it is not only England or Egypt who have an interest" in the Canal but "we and practically all other countries" also. Moreover, he stated that the "Suez Canal should be made international in regard to the control exercised over it." Dr. Malan's statement was unfavourably received in Egypt at the time and Mr. Louw's somewhat non-committal statement was no doubt partly made in pursuit of the present policy of improving relations with other African States initiated since Dr. Malan's retirement in 1954.

#### Subsequent Government Reaction.

Following his original statement, Mr. Louw has made two subsequent public statements and an important private statement to the Deputy High Commissioner for the United Kingdom. He was apparently surprised at the hostile reception which his initial statement received in the English-language press and he was also concerned over the obvious and unconcealed disappointment of the United Kingdom High Commission here. Subsequently, he has perceptibly moved a little towards the United Kingdom position but at the same time he has not attempted to do anything which could unduly disturb Egypt. In his second statement on 1st August, which is attached as Annex 'B' to this Despatch, he referred to Mr. Casey's statement of 29th July, 1956, and quoted the last paragraph of this statement in full which he said broadly represented the Union's position. He also pointedly

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## CONFIDENTIAL

remarked that Australia had not given any indication of taking positive action. His third statement was made on 4th August after the United Kingdom High Commissioner had seen the Prime Minister to explain South Africa's omission from the nations to be invited to the proposed conference on the Suez Canal and to request Mr. Louw to support publicly the proposed conference and the idea of international control. In this latter statement he publicly approved the conference of interested powers and cautiously approved the proposal that the Canal should be placed under international control with the reservation that it should be done on a basis with which Egypt was in agreement.

On 7th August Mr. Louw advised the Egyptian Minister here that he hoped Egypt would be represented at the Conference and that there would be no 'precipitate action on either side.' During the same meeting he informed the Egyptian Minister of the Union's wish to maintain friendly relations with both her Western colleagues and Egypt. On the same day Mr. Louw informed the Deputy High Commissioner for the United Kingdom of his meeting with the Egyptian Minister and made the following points which in the main represent the Union's present position:-

- (a) The Union hopes that Egypt will attend the proposed conference;
- (b) she does not favour "precipitate action while there has been no breach of the Convention;"
- (c) the Cabinet is concerned over "the United Kingdom's and France's warlike preparations."

He added privately that his own opinion was that the nationalisation of the Canal was "a deplorable event."

### Considerations affecting Union Policy.

For South Africa the issue is not clear cut and the Union's non-committal, middle-of-the-way attitude should be studied with the following considerations in mind.

The Minister of Defence and the Cabinet in general are preoccupied with the 'Communist menace' and must be concerned over any event which is likely to lead to further Soviet activity and penetration in the Middle East. Then there is, as mentioned, the present policy of improving relations with other African states which, we have been informed, was one of Mr. Louw's foremost considerations when he was discussing the Suez issue with senior officers of his Department. The Union has always been a staunch advocate of the domestic jurisdiction theme at the United Nations on the issues of apartheid, South-West Africa and the treatment of people of Indian origin in the Union, and it is understandable that the Union should be predisposed to interpret the nationalisation of the Suez Canal in the light of its own attitude of mind. Moreover, the Nationalist Government with its declared policy of Republicanism is always reluctant to appear as an ally of the United Kingdom, especially in a case such as this where it appears by no means certain that Nasser will not get away with what he has done. The final consideration, which seems unimportant to us but which we understand Louw stressed on several occasions, was his reluctance to take any action which could result in the closure by Egypt of the Cairo airport

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## CONFIDENTIAL



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-4-

which is important to the South African Airways Overseas route to Europe.

Despite genuine anxiety over the present crisis some Nationalist leaders must see in the situation the opportunity of intensifying pressure for the setting up of a Southern African Defence Organization which the Minister of Defence, Mr. Erasmus, has been advocating for some time. Moreover, the Union would appear to stand to gain by any increase in the use of the Cape route in preference to the Suez Canal. However, on this point it is understood that the Union's harbours would be utterly incapable of handling any large scale diversion of shipping which would result in costly delays and the disruption of normal shipping services. (We understand that the United Kingdom are at present consulting the Union's Minister of Transport, Mr. Schoeman, to ascertain the degree to which the Union's ports could cope with any large scale diversion at present.)

CONCLUSION.

To sum up it would appear to me that the Union Government is attempting to have its cake and eat it. There appears to be an inherent contradiction between the twin pursuit of a Southern African Defence Organization, based on the Union, the Rhodesian Federation, and those powers with colonial possessions and interests in Africa, on the one hand and of the policy of improvement of relations with other African states and territories further to the north which, from present trends, are likely to take a more anti-colonial and perhaps an even anti-White stand at a later date.

During the present Suez crisis the Government's policy, apart from being severely criticised internally, has not pleased the United Kingdom and France, both of which are being urged by the Union to participate in a Southern African Defence Organization. On the other hand the Government's policy has not earned the praise of Egypt or of any of the emerging Native states on the African continent.

I have the honour to be, Sir,

Your obedient Servant,

(W.R. Hodgson)  
HIGH COMMISSIONER

193

The Rt. Hon. the Minister of External Affairs,  
CANBERRA. A.C.T.

RW/ST

CONFIDENTIAL



ANNEX "A"

Text of Statement by Minister of External  
Affairs, Mr. E.H. Louw, on 31st July, 1956

-----

"The Union Government has been kept fully informed by the Government of the United Kingdom regarding developments following upon the decision of the Egyptian Government to nationalise the Suez Canal Company, and has given careful consideration to the issues involved.

"There are two instruments governing the status of the Suez Canal.

Free Passage

"The first is the 99-year concession granted to Ferdinand de Lesseps by the Vice-King of Egypt in 1854 for the construction and operation of a canal by a joint stock company to be registered in Egypt, subject to certain conditions, including the right of free passage to shipping.

No Shares

"Unlike the United Kingdom, France and some other countries, the Union holds no shares in this company and is, therefore, not affected by its nationalisation which is a domestic affair of Egypt's in which South Africa would not presume to intervene.

Agreement

"The second instrument is the international convention of 1888, which, inter alia, provides for the free passage of all ships, under whatever flag, in peace and in war.

"There is some doubt as to whether South Africa can be considered to be a party to this convention.

"In regard to the terms of this convention, it is, however, noted that since the nationalisation decree, there has been no interference with the free passage of ships and further that President Nasser has given an assurance that the terms of the convention will be observed,

"The Union Government is nevertheless concerned about the situation which has arisen in a continent of which South Africa forms a part and trusts that the different parties involved will explore all possible avenues which may lead to a satisfactory solution of present difficulties."

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ANNEX "B"

Second Statement by Minister of External  
Affairs, Mr. E.H. Louw, on 1st August, 1956

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"I did not say 'the Suez is a domestic matter', but that the nationalisation of the Suez Canal was a domestic matter, as was the case when Mexico nationalised the oil companies which were held by British and American interests, so also the Abadan oil refinery."

"The Union Government is not prepared to take action which is based on the presumption or possibility of certain events taking place and which may not take place at all."

Australian View

"I notice that in the statement issued on July 29 by Mr. Casey, Australian Minister for External Affairs, that apart from strongly criticising the action taken by President Nasser he gave no indication of what Australia proposed to do."

"He concluded by stating: 'Wider international consultations will no doubt take place to ensure that the economic and other vital interests of all countries are protected. The whole matter is most disturbing and is engaging the urgent attention of the Australian Government.'"

"Broadly speaking, these sentiments appear to reflect the sentiments expressed in the concluding paragraph of the Union Government's statement."

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ANNEX "C"

Statement to "Pretoria News" by Minister  
of External Affairs on 4th August, 1956.

The Union Government sincerely hopes that no precipitate action will be taken which might endanger peace in the Suez Canal area, and perhaps even in the Middle East.

The Union is pleased that a conference has been arranged of countries directly interested in the Canal. I hope the conference will clear the atmosphere and that, from its discussions, will emerge a form of international control acceptable to Egypt and which will ensure the future unrestricted use of the Canal by the ships of all countries.

The principle followed in issuing invitations to the conference confirm the view expressed in the statements I issued on Wednesday on behalf of the Union Government.

Three criteria for determining direct interest in the Canal issue, and thus qualifying for an invitation, were considered by the conveners of the conference.

They were: The principal users of the canal; those countries for whom the canal is an essential life-line; and signatories of the 1888 convention.

Canada and South Africa do not qualify under any of these criteria. In regard to the third condition, Canada, which, unlike South Africa, was entirely under British rule in 1888, does not succeed in being recognised as a 'successor country' and thus a signatory country.

South Africa is deeply concerned in the maintenance of peace in any part of the African continent and in the approaches to the continent and for that reason I sincerely hope that a way out of the difficulties will be found.

140



SECRET

163/4/7/3/3

DEPARTMENT OF EXTERNAL AFFAIRS.

O.11180

SHA/ BH

**OUTWARD CABLEGRAM**

1555  
17th August, 1956.

TO:

Australian High Commission,  
LONDON.

1887. SECRET.

For External.

For Tange.

Before leaving you asked for Treasury and Trade  
comments on Appendix X of brief to be cabled you.

Trade say that they have no additions to suggest but  
that in general it is not practicable for them to comment at  
this end since various alternatives may be thrown up at the  
Conference which might also merit consideration. Treasury  
raises no objection to the draft.

(Cost £ 5.15.0)

17th August, 1956.

A/MIN & DEPT. E.A.  
TREASURER & TREASURY  
A/MIN & DEPT. TRADE (C)  
P.M.'S.

SEC A/Ss UN ER CR PAO&AM AM&SP S&SEA SA SEA  
EAF&ME E AF&ME INF DL C&P MT

SECRET.

189

Secret

Mr Kevin

Mr Nicholson

prepared this for the  
file - It may be useful  
later if we have to  
review the UK position  
in the middle East as a  
whole

was 16/8

Mr Faydal

Thank you

16/8

Rev.

Mr Nicholson

was 16/8

R8

Seen

File 163/4/7/3/3



SECRET

TREATY  
ANGLO-IRAQI RELATIONS

**SECRET**

A pact of Mutual Co-operation between Iraq and Turkey, which later became known as "the Bagdad Pact", was signed in Bagdad on 24th February, 1955. The United Kingdom acceded to the Pact on 5th April, 1955, and thereby brought into force a Special Agreement between the United Kingdom and the Government of Iraq which was made in accordance with the provisions of Article 1 of the Pact.

The Special Agreement together with supplementary exchanges of Notes provides that:-

- (1) the two countries shall "as equal and sovereign partners" co-operate "for their security and defence" in accordance with the Bagdad Pact;
- (2) the 1930 Treaty of Alliance between the United Kingdom and Iraq is terminated;
- (3) Iraq undertakes no obligations beyond its frontiers;
- (4) Iraq assumes full responsibility for its own defence and "will command and guard all defence installations";
- (5) co-operation between the authorities of the two Governments "for the defence of Iraq"..."shall include planning, combined training and the provision of such facilities as may be agreed upon...for this purpose and with the object of maintaining Iraq's armed forces at all times in a state of efficiency and readiness";
- (6) the United Kingdom "shall, at the request of the Government of Iraq, do their best
  - (a) to afford help to Iraq" in creating and maintaining an effective Air force and in the maintenance and operation of such airfields and installations as may "be agreed to be necessary";
  - (b) *to join with Iraq:* in establishing a system of warning against air attacks ~~in~~ ensuring that

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**SECRET**

**SECRET**

defence equipment is kept in Iraq in a state of readiness and in training and equipping Iraqi Forces;

- (c) "to make available in Iraq technical personnel of the British Forces" to give effect to (a) and (b);
- (7) "Service aircraft of the two countries shall enjoy staging and over-flying facilities in each other's territories";
- (8) "in the event of an armed attack against Iraq or the threat of an armed attack which, in the opinion of the two Contracting Governments, endangers the security of Iraq, the Government of the United Kingdom at the request of the Government of Iraq shall make available assistance, including if necessary armed forces to help to defend Iraq. The Government of Iraq shall provide all facilities and assistance to enable such aid to be rapid and effective.";
- (9) the Agreement shall remain in force so long as both Iraq and the United Kingdom are parties to the Pact";
- (10) units of the Royal Air Force not required by the Special Agreement shall be withdrawn progressively;
- (11) the command and administration of British personnel and installations shall be the responsibility of the United Kingdom under the overall authority of the Iraqi officer in charge of each establishment;
- (12) the United Kingdom undertakes to do its best, inter alia, to arrange for aircraft of the R.A.F. to make periodic visits to Iraq in particular for the purpose of joint training, and to facilitate the supply of modern aircraft and associated equipment;
- (13) the United Kingdom will assist in training the Iraqi land forces and in the supply of modern arms and equipment;

182

**SECRET**



SECRET

3.

- (14) "the Government of Iraq shall continue to permit British naval units to visit the Shatt el Arab at any time on previous notification being given";
- (15) "the Government of the United Kingdom shall join with the Government of Iraq in establishing in Iraq stocks of military stores and equipment for use by the armed forces of the two countries for the defence of Iraq in the event of an armed attack against Iraq...".

The Australian Legation in Cairo reported in March, 1955;

"The unwritten agreement is that there is nothing to prevent the Royal Air Force flying units withdrawing and returning forthwith as "training" units - there was even some doubt as to whether wives and families of Royal Air Force personnel withdrawing would have to leave Iraq. The Annex does not limit the numbers of Royal Air Force needed for joint planning, training and exercises and, in fact, the whole agreement is a scheme for joint action in defending and planning for the defence of Iraq, and its success will depend mainly upon the freedom allowed to the Royal Iraqi Air Force by the Iraqi Government to co-operate administratively with the Royal Air Force. So long as Nuri remains in power, the Agreement will work smoothly. Should a hostile Government come to power, it may well ruin the plan, but such a Government would no doubt have abrogated unilaterally the old Treaty of 1930, so the new Treaty is, under any circumstances, an improvement as it does remove the "stigma" of the British commanding Iraqis and holding two of their bases. The Iraqis will now command, and the Royal Air Force will advise and train."

/Pr

CONCLUSION

The Special Agreement of 1955 makes available to the United Kingdom bases (Habbaniya Shaiba and Margil) and dumps in Iraq, protected by Iraqi forces trained and partly equipped by the British.

"Visits" by United Kingdom air and sea forces are possible. Large British

forces are permitted to enter Iraq, however, only in the case of an attack, or threat of an attack, against Iraq, and at Iraq's request.

SECRET

DEPARTMENT OF EXTERNAL AFFAIRS.

JTRC:ABK.

**INWARD CABLEGRAM.**

I. 10836.

Dated: 15th August, 1956.  
1544.

FROM:

Rec'd: 16th August, 1956.  
0830.

Australian Legation,  
CAIRO.

175. UNCLASSIFIED.

Repeated to London 24. From Cutler.

Reference my telegram 173.

Egypt is continuing diplomatic fishing for Cairo Conference support. In conversation with members of the Netherlands Embassy, the Egyptian Deputy Minister for Foreign Affairs referred to the Australian Prime Minister's speech on 13th August as evidence of Australia's unfriendly attitude towards Egypt.

2. Editors of Government newspapers are going to London and also Ali Sabry.

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A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE.  
TREASURER & TREASURY.  
A/MIN. & DEPT. TRADE (C)  
MIN. & DEPT. S.&T.(C)  
P.M.'S.

16th August, 1956.

SEC A/Ss I&T(DIV.5) UN ER CR PAC&AM AM&SP S&SEA SA E.AF&ME  
E AF&ME INF DL MT C&P.  
G.

184



12.30:

A special representative of Colonel Nasser is now on his way by air from Cairo to act as an observer during the London conference opening tonight. He is Wing Commander Sabri, President Nasser's Chief of Cabinet, and he said before leaving Cairo that he would watch the progress of the Conference. Reuter says Sabri's presence in London is regarded as a definite Egyptian recognition of the importance and strength of the London conference. The leader of the Indian delegation, Mr. Krishna Menon, said in London last night that the world's leaders were not meeting in the shadow of war, as some people believed. But the situation was certainly one for concern and all the energies of the delegates must be directed to the promotion of harmony between the peoples and nations of the world.

Mr. Bandaranaike revealed last night that he had a certain possible line for solution of the dispute. He would give no details, but U.P. says the formula has been discussed between Ceylon's delegate to the London conference and Mr. Menon.

Yesterday was a day of intense diplomatic activity in London. Mr. Dulles had his first talks with Mr. Shepilov shortly after seeing Sir Anthony Eden and M. Pineau. Throughout the day there was a constant stream of visitors to 10 Downing Street, including the Italian, Dutch and Norwegian foreign ministers. Britain, the U.S. and France are reported to have agreed on three principles about the future of the Suez Canal. First: that Egypt should have a fair share of the profits; secondly: Egypt must pay adequate compensation to the shareholders of the Canal Company; thirdly: that the Canal should remain under international control.

Meanwhile, Panama has protested officially to Britain for not being invited to the conference. The Panamanian Ambassador in London called at the Foreign Office and said that the Suez Canal had a fundamental analogy with the Panama Canal. The ambassador pointed out that the Panama Canal was constructed in Panamanian territory and that Panama was sovereign of the Canal Zone.

1.30:

Sixty Australian women will attend the conference of the Associated Country Women of the World in Ceylon next December. They will include Mrs. Alice Berry, of Charleville, Qld., who has been elected world president for the second consecutive term. About 60 countries are expected to send representatives to the conference.



RESTRICTED

DEPARTMENT OF EXTERNAL AFFAIRS.

INWARD CABLEGRAM.

RR:ABK.

1. 10838.

FROM:

Australian Embassy,  
PARIS.

Dated: 15th August, 1956.  
1910.  
Rec'd: 16th August, 1956.  
0830.

269. RESTRICTED.

Repeated Savingram London 79.

The French Council of Ministers (presided by President Coty) is meeting today as well.

2. "Le Mond" stresses that guasi-unanimity of French Ministers has not changed since the first day of the crisis and that recent incidents in North Africa have even strengthened it. This is confirmed by the rest of the press who expect the Government to instruct Pineau to be firm.

3. "Figaro" in a leader comments that a rough diplomatic battle lies ahead at the Conference and that it will not be easy to get a substantial majority for the Western project of internationalization. Washington's attitude will weigh heavily on the result. If by misfortune Dulles were to lend a hand to the manoeuvring of those who will try the impossible to lead France and Britain to take a step towards the Egyptian thesis, a terrible blow will be struck at the Atlantic alliance".

4. The British Ambassador is leaving for the Conference on the 15th August. He commented today that it seemed as if the "no force" views were gaining ground in England. He also thought "if Nasser got away with it" the effect on France would be bad.

5. The Suez Canal Co. issued a statement on 13th August denying Nasser's allegation that Director General Picot had been trying to persuade the Americans to press Egypt to relinquish the concessions beyond 1968.

Stirling.

A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE.  
TREASURER & TREASURY.  
A/MIN. & DEPT. TRADE (C)  
MIN. & DEPT. S. & T.  
P.M.'S.

16th August, 1956.

SEC A/Ss UN FR CR PAC&AM AM&SP S&SEA SA SEA E.AF&ME  
E AF&ME INF DL MT C&P.  
G.

192

RESTRICTED





DEPARTMENT OF EXTERNAL AFFAIRS.

RESTRICTED

**INWARD CABLEGRAM.**

I. 10830.

VA:OA.

Sent: 14th August, 1956.  
2205.

FROM:

Recd: 16th August, 1956.  
0830

Australian Embassy,  
WASHINGTON.

831. RESTRICTED.

Repeated London 87.

Suez Canal.

Our 826.

Despite the State Department statement yesterday declaring "complete (three power) agreement" on need for "International means" to ensure the functioning of the Canal as an International waterway and denial of difference between the United States, the United Kingdom and France, the "New York Times" and the "Washington Post" continue to point out that the United States has carefully avoided public commitment to the idea of international operating agency and to suggest that possibility of compromise involving Egyptian operation of the Canal with some international supervision is not entirely ruled out by the United States. Chalmers Roberts says that "it appears certain that the United States will seek some means at the London conference of reconciling Egyptian demands for full control of the Canal and the British and French demand for International Body with Egypt in the minority position" and that this would be the crucial issue of the conference.

2. The "New York Times" attributes to "authoritative" State Department source the view that international operating authority is the "maximum demand" which might be modified in the course of the negotiations and that the primary United States aim of preventing interference with the Freedom of the Canal might be achieved by having key individuals representing an International Body on the Egyptian Canal Company. The "Washington Post" reports wide opposition by London invitees, (including Australia and Canada,) to the new agency idea and also suggests that there is some realisation even by backers of Egypt of the need for "International solution" rather than pure Egyptian control of Canal.

3. The Press continues to see reduction of the possibility of the use of force particularly following the statement of the United Kingdom Labour party.

A/MIN & DEPT. E.A.  
MIN & DEPT. DEF.  
P.M'S.

16th August, 1956.

181

SEC A/Ss UN ER CR PAC&AM AM&SP S&SEA SA EAF&ME E AF&ME  
INF DL MT C&P

G

RESTRICTED

163/4/7/3/3

DEPARTMENT OF EXTERNAL AFFAIRS.

**INWARD CABLEGRAM.**

UNCLASSIFIED.

HMCC

I.10854

Dated: 15th August, 1956.  
2140

Rec'd: 16th August, 1956.  
0830

FROM:-

Australian High Commission,  
L O N D O N.

2229. UNCLASSIFIED.

Minister and party arrived London 1430  
hours local time Wednesday.

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A/MIN. & DEPT. E.A.  
P.M'S.

16th August, 1956.

SEC A/Ss ALL SECTIONS

180



163/4/7/3/3.

A.B.C. News : Thursday, 16th August, 7.45 a.m.

Egypt has decided to send a top-level observer to the London conference. President Nasser has ordered his political director, Wing Commander Sabri to go to London immediately. Reuter says this decision would appear to be a definite Egyptian recognition of the importance and strength of the London conference. Observers in Cairo say Sabri will act as an observer to keep Egypt's foot in the door, even though he will not be able to attend the closed sessions.

Mr. Casey arrived in London yesterday. He said it was a great pity that President Nasser was not attending the conference. If he had thought fit to be represented, he could have shortened the period of tension.

In Canberra last night, Sir Arthur Fadden said he had asked Mr. Menzies to remain in London until developments at the conference were clear. Sir Arthur said he had made this decision after considering the latest cabled information on the Suez issue and discussing them with ministers who were in Canberra.

Nearly all the Foreign Ministers attending have now arrived in London. Yesterday was a day of intense diplomatic activity. Mr. Dulles and Mr. Shepilov had a 90-minute meeting at the U.S. Embassy. Mr. Dulles earlier had seen Eden and Pineau. Eden also had talks with the foreign ministers of several other countries.

Britain, U.S. and France have agreed on three principles about the future of the Canal. The first that Egypt should have a fair share of the profits from the Canal; secondly, that Egypt should pay adequate compensation to the shareholders of the Canal Company; thirdly, that the Canal should remain under international control. Reuter says these basic principles have been issued to the 22 countries attending the conference, and Egypt has also been informed of them.

Mr. Menzies  
Mr. Ballington  
16/8

179

FA



CONFIDENTIAL

DEPARTMENT OF EXTERNAL AFFAIRS.

163/4/7/3/3

DW:SH

OUTWARD CABLEGRAM.

TO:

Sent. 15th August, 1956  
1830

Australian Legation,  
C A I R O.

160. CONFIDENTIAL - PRIORITY

From Civil Aviation No.CCA64.

Please pass following to Tapp Q.E.A.  
from Turner Q.E.A. General Manager.

"Your KLX 005 9th August. Have already in-  
formed Smallpiece B.O.A.C. London verbally that  
Quantas would consider assisting with charters  
for evacuation personnel if requested but sub-  
ject of course to Australian Government  
clearance. Desire now to leave question your  
personal movements to your own discretion but  
you should be available London if any diversions  
Q.E.A. services required."

For Cutler. If Tapp leaves Cairo we assume  
you will keep in close touch Bingham of B.O.A.C. in safe-  
guarding Q.E.A. aircraft movements.

(COST £13.4.0)

MIN. & DEPT. CIVIL AVIATION(CCA64) 16th August, 1956  
A/MIN & DEPT. E.A.  
MIN. & DEPT. DEFENCE  
A/MIN. & DEPT. TRADE (C)  
TREASURER & TREASURY  
MIN. & DEPT. S&T  
QUANTAS EMPIRE AIRWAYS (SYD)  
P.M. 's

File Summary  
way

SEC A/S's UN ERO CR PAC&AM AM&SP S&SEA SA  
SEA EA&ME E AF&ME INF BL C&P MT  
G

179



SECRET

DEPARTMENT OF EXTERNAL AFFAIRS.

INWARD CABLEGRAM.

OA:HMCC

AMENDED COPY

I. 10860

Dated: 15th August, 1956.  
1500  
Rec'd: 15th August, 1956.  
2150

FROM:-

Australian Commission,  
S I N G A P O R E.

418. SECRET. IMMEDIATE.

Addressed Canberra 418 repeated London 22.

x. B.D.C.C. will meet on Friday 17th August, a.m. to consider implications of Suez Canal crisis for this area. I hope to obtain basic paper tomorrow and will cable any significant points. Is there any question you wish me to raise or information you need.

Harry.

-----  
x Amendment

(T/TYPED TO DEFENCE)

A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE  
P.M'S.

16th August, 1956.

SEC A/Ss UN ER PAC&AM AM&SP S&SEA SA EAF&ME E  
AF&ME INF DL M.T. C&P.

*Inf and tel : See any further action to be taken.  
Discussed with Mr. Boshen Shamed handle.  
and Mr. Lloyd - Mr. Boshen 16/8  
has drafted a telegram for  
Mr. D. Marshall's consideration*

177

National Archives of Australia

16/8

NAA: A1838, 163/4/7/3/3 PART 4

DEPARTMENT OF EXTERNAL AFFAIRS.

*MR*  
**SECRET**

*Mr Lardale*

## OUTWARD TELETYPE MESSAGE.

MESSAGE NO 1022

16/8/56

1107

*163/4/7/3/3*

TO SEC, DEPT. DEFENCE, MELBOURNE

FROM ACTG. SEC, E.A. CANBERRA

SECRET

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FOLLOWING IS TEXT OF TELEGRAM SENT LAST NIGHT TO LONDON  
AFTER CABINET MEETING:-

BEGINS.....

1875.

SECRET.

IMMEDIATE

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FOR MENZIES AND CASEY FROM FADDEN.

IN ORDER TO ADD TO OUR KNOWLEDGE OF RECENT DEVELOPMENTS  
WE WOULD APPRECIATE YOUR ASSESSMENT OF -

- (A) WHAT UNITED KINGDOM INTENDS IF IT FAILS TO GET SUBSTANTIAL  
SUPPORT AT LONDON CONFERENCE FOR ITS PROPOSALS.
- (B) IF UNITED KINGDOM PROPOSALS DO GET SUPPORT, HOW DOES  
UNITED KINGDOM PROPOSE THAT THEY BE NEGOTIATED WITH NASSER.
- (C) UNITED KINGDOM INTENTIONS IN REGARD TO WAY FORCE WOULD BE  
USED IF THIS WERE DECIDED ON, AND ALSO POLITICAL AS WELL  
AS MILITARY OBJECTIVES OF USE OF FORCE.
- (D) UNITED KINGDOM VIEW AS TO CONSEQUENCES THAT WOULD FOLLOW  
ON USE OF FORCE INCLUDING RUSSIAN INVOLVEMENT AND REACTIONS  
(INCLUDING RETALIATORY ACTION) IN OTHER ARAB AND ASIAN  
STATES.

(ENDS)

*File*

*Wm*

**SECRET**

*176*

MESSAGE ENDS

SH.

1112

*FA*



SECRET

162/4/7/3/3

DEPARTMENT OF EXTERNAL AFFAIRS.

OUTWARD CABLEGRAM.

O. 11142.

OA:OA.

Sent: 15th August, 1956.

2315

TO:

Australian High Commission,  
LONDON.

1875. SECRET. IMMEDIATE.

For Menzies and Casey from Fadden.

In order to add to our knowledge of recent developments we would appreciate your assessment of -

- (a) What United Kingdom intends if it fails to get substantial support at London Conference for its proposals.
- (b) If United Kingdom proposals do get support, how does United Kingdom propose that they be negotiated with Nasser.
- (c) United Kingdom intentions in regard to way force would be used if this were decided on, and also political as well as military objectives of use of force.
- (d) United Kingdom view as to consequences that would follow on use of force including Russian involvement and reactions (including retaliatory action) in other Arab and Asian States.

-----

Cost : £9.11.8.

A/MIN & DEPT. E.A.  
MIN & DEPT. DEF.  
P.M'S.

16th August, 1956.

175

FA

SEC A/Ss UN PAC&AM AM&SP S&SEA SA EAF&ME E AF&ME INF  
MT C&P

National Archives of Australia

NAA: A1838, 163/4/7/3/3 PART 4



163/4/7/3/3

SECRET

An annotated version  
was handed to the acting  
Minister by our Plimsoll

For Menzies and Casey from McBride

1. To assist us further in taking any necessary action at this end, we would appreciate your assessment of following:
- (a) United Kingdom intentions in regard to way force would be used if this were decided on.
  - (b) what United Kingdom intends if it fails to get general support for its proposals.
  - (c) if U.K. proposals do get support, how does U.K. propose that they be negotiated with Nasser.
  - (d) U.K. view as to consequences that would follow on use of force including Russian involvement and reactions (including retaliatory action) in other Arab and Asian States.
2. We are most interested in United States thinking which Spender in his telegram No.826 (repeated to you as No.84) indicates is probably not completely behind United Kingdom in regarding international operational control as essential.

File 3 only now

15/8/56

Distribution:

174

**SECRET**



CONFIDENTIAL

R/BH

0.11225/6/7/8  
DEPARTMENT OF EXTERNAL AFFAIRS.

Sent: 17th August, 1956.

**OUTWARD CABLEGRAM.**

TO:

Australian Legation,  
CAIRO.....163.

Repeated:

Australian High Commission,  
LONDON....SAV. 170

Australian Legation,  
ROME...SAV 13.

Australian High Commission,  
KARACHI...SAV. 44.

CONFIDENTIAL.

From Civil Aviation.

CCA 68.

As a result of personal investigation by QEA Captains of facilities at various points to which diversion might be made Q.E.A. has now decided on three alternative routes in following order of preference. First Karachi-Bahrein-Istanbul-Rome. Second Karachi - Basra (only if fuel shortage Bahrein) Istanbul-Rome. Third Karachi-Teheran-Istanbul-Rome. Q.E.A. will decide which route it will fly at time need for diversion actually arises.

Irrespective of which route selected transit and/or rights of technical stop will be exercised Iran Turkey and Greece and in the event of a diversion becoming necessary you should as previously requested advise British Embassies Teheran Ankara and Athens as well as Australian posts London Rome and Karachi.

MIN. & DEPT. CIV. AVIATION

(Cost £8.16.8)

A/MIN & DEPT. E.A.

MIN & DEPT. DEFENCE.

Q.E.A. (Sydney)

P.M'S.

20th August, 1956.

SEC 2/8s UN ER CR PAC&AM AM&SP S&SEA SA SEA EAF&ME  
AF&ME INF DL C&P

G.

CONFIDENTIAL

173

DEPARTMENT OF EXTERNAL AFFAIRS.

**OUTWARD TELETYPE MESSAGE.**

MESSAGE NUMBER 4103 17 8 56

TO DIRECTOR GENERAL DEPT OF CIVIL AVIATION MELBOURNE  
REPEATED TO SECRETARY DEPT OF DEF, MELB (FOR INFOR)  
FROM ACTING SEC DEPT OF E A CANBERRA 1037

SECRET PRIORITY

WE HAVE NOTED YOUR TELEGRAM 160 TO THE AUSTRALIAN LEGATION  
IN CAIRO. WE SHOULD BE GRATEFUL FOR ADVICE OF ANY ACTION  
YOU ARE TAKING TO HAVE THE PRINCIPLE OF QANTAS ASSISTANCE CONSIDERED  
BY MINISTERS IN ADVANCE OF ANY POSSIBLE EMERGENCY.  
MESSAGE ENDS HG

172

File Summary

was 17/8

163/4/7/3/3



163/4/4/3/3

PRIME MINISTER'S DEPARTMENT.

The Secretary,  
Department of External Affairs,  
CANBERRA.

Forwarded for information.

MCT:AC  
DEPARTMENT OF  
EXTERNAL AFFAIRS  
17 AUG 1956  
CANBERRA.

*[Signature]*  
(M. C. Timbs)  
Assistant Secretary.

CONFIDENTIAL

6K

17 AUG 1956

National Archives of Australia

NAA: A1838, 163/4/7/3/3 PART 7/4



CONFIDENTIAL

PRIME MINISTER'S DEPARTMENT,

CANBERRA,

16 August, 1956.

*In reply quote No.*

Dear Sir,

Please refer to Rouse's letter of the 13th August, 1956 about the practical arrangements for the Conference to be held in London on the 16th August to discuss the matters relating to the Suez Canal.

I confirm the advice verbally given to Mr Rouse that whilst the arrangements outlined appear satisfactory to us, it would be preferable for the authorities in London to contact Sir Allen Brown to ensure that the arrangements are satisfactory to the Prime Minister.

Yours faithfully,

(M. C. Timbs)  
Assistant Secretary.

The Official Secretary,  
Office of the High Commissioner  
for the United Kingdom,  
CANBERRA.

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163/4/7/3/3  
SECRET

COPY NO. 28

CABINET MINUTE

Canberra, 15th August, 1956

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Decision No. 392  
-----

Submission No. 315 - Nationalisation of the Suez Canal

Cabinet gave consideration to the latest cables on the Suez Canal issue, and in particular, to the Prime Minister's cable No. 2216 in which he reported on the meeting of the United Kingdom Cabinet which he attended.

Cabinet concurred in the Prime Minister's view of the seriousness of the situation, but noting that the course of the London Conference was by no means clear, and that constant high level consultations in which the Prime Minister could most usefully participate were likely to take place, decided to recommend to him that he remain in London if possible until the outcome of the conference becomes clear.

Cabinet also approved the terms of a cable to the Prime Minister requesting further detailed information on United Kingdom views.

Certified true copy.

*E. J. Bunting*

Acting Secretary to Cabinet.

*Rec'd 16/8/56  
J. L. M. S.*

*For Buntington*

*169  
17/8*

National Archives of Australia

NAA: A1838, 163/4/7/3/3 PART 4

in ~~confidential~~ <sup>22/8/56</sup> 163/4/7/3/3  
this is of interest  
was 21/8

~~A/Sending~~  
~~late 7/8~~

~~Mr. Lardale~~

Mr. Bullock  
was 22/8

168 FAD



# INWARD TELEGRAM

[This document is the property of Her Majesty's Government in New Zealand]

FROM: High Commissioner for New Zealand, London  
TO: Minister of External Affairs, Wellington No.112  
D: 15 August 1956 19.40 R: 16 August 1956 08.30

**SECRET.**

No.1112 CONFIDENTIAL PRIORITY

For Algie from Macdonald.

My early impressions of situation here (based principally on discussion with Lord Home) are on one hand of great determination on part of British authorities and on other of uncertainty concerning

- (a) conduct and duration of Conference,
- (b) degree to which modifications of three Power proposals in direction of international supervision rather than of international control would be acceptable,
- (c) steps they intend to take should Egypt refuse Conference's recommendations.

Practical implications of (c) have clearly not yet been fully thought through and in certain sections of press and Labour Party the dangers of being internationally isolated as result of use of force are gaining weight. It is perhaps significant that in broadcast last night Lloyd emphasized that current military preparations are precautionary, were taken subsequent to Nasser's initial mobilization orders and relate to British lives, property and shipping in Middle East.

Central difficulty within Conference may well be to strike balance between proposals which

- (a) while ensuring against arbitrary misuse of Canal, emphasize international element to an extent making Egyptian acceptance impossible,
- (b) so dilute international element as to give Egypt excessive freedom and to be incompatible with Britain's declared objectives.

Movement to modify international element is likely to be strong and Britain's best defence against it may well lie in success she has in persuading participants in Conference that she is in fact prepared to use force. It is indeed in that context that threat of military action may have most meaning.

As pointed out in Paris Savingsgram 2 it will probably not be possible to reconcile direct Anglo French action against Egypt with United Nations charter. Our declaration of support for Britain is of course firm. I suggest however that as preparatory step some consideration should be given to implications for New Zealand (especially within United Nations) of involvement in military action which may be brought before Security Council as an act of aggression.  
(H.6653)

(Signed) DEPUTY

Prime Minister  
Acting Minister of External Affairs  
Secretary of External Affairs  
13.8.56

*Distribution. Agenda*

No. 1	}	Mr. Minisoll.	13-	Namit Lih
2			14	Whitlan
3			15	Mr. Minisoll.
4	}	Cabinet via Mr. Minisoll.	16	Foryth
5			17	Herin <u>Spare</u>
6				
7	}		18	Lowery & Deane.
8			19	
9			20	<u>Spare.</u>
10				

12 *Side.*

*Notes for Minisoll*

1 + 9 *Mr. Herin for Cabinet.*

10. *Side.*

11 *Mr. Herin*

12-20 *Spare*

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By Authority: L. F. JOHNSTON, Commonwealth Govt. Printer, Canberra.

ORIGINAL.

DEPARTMENT OF EXTERNAL AFFAIRS.

DOCUMENT RECEIPT.

Issued to Mr Forsyth J.N. Date 16/8/56

I acknowledge receipt of Copy No 16 of cabinet submission of 15/8/56

(To be filled in by originator. Give reference number and date of origin only.)

Signature E. Thompson

Appointment Sec. Div. II.

Date 16/8/56

To be signed by officer responsible for the safe custody of document, and returned in a single unregistered envelope to--

The Secretary,  
Department of External Affairs,  
Canberra, A.C.T.

5300...

By Authority: L. F. JOHNSTON, C'wealth Govt. Printer, Canberra.

ORIGINAL.

DEPARTMENT OF EXTERNAL AFFAIRS.

DOCUMENT RECEIPT.

Issued to Mr. Brennan E.R. Date 16/8/86

I acknowledge receipt of copies 13, 14 & 15 of  
Cabinet Submission of 15/8/86.

(To be filled in by originator. Give reference number and date of origin only.)

Signature [Signature]

Appointment CAOL

Date 16-VIII-86

To be signed by officer responsible for the safe custody of document, and returned in a single unregistered envelope to--

The Secretary,  
Department of External Affairs,  
Canberra, A.C.T.

5300...

National Archives of Australia

NAA: A1838, 163/4/7/3/3 PART 4



By Authority: L. F. JOHNSTON, C'wealth Govt. Printer, Canberra.

DEPARTMENT OF EXTERNAL AFFAIRS.

ORIGINAL.

DOCUMENT RECEIPT.

Issued to

*Mr. Landay J. L.*

Date

*16/8/56*

I acknowledge receipt of

*copies 18 + 19 of Cabinet  
Submission of 15/8/56.*

(To be filled in by originator. Give reference number and date of origin only.)

Signature

*Hubert*

Appointment

*Sec 2*

Date

*16/8/56*

To be signed by officer responsible for the safe custody of document, and returned in a single unregistered envelope to--

The Secretary,

Department of External Affairs,  
Canberra, A.C.T.

5300...

National Archives of Australia

NAA: A1838, 163/4/7/3/3 PART 4

~~Mr. J. J. J.~~

~~2nd Sept~~  
1911

Mr. Billington

This was prepared  
by Mr. Kevin for  
the cabinet submission  
but not used

was 16/8

16/8.



*Mr. Ransing*

**SECRET**

DRAFT

*This is very sound -  
who produced it?  
WST 16/8.*

UNITED KINGDOM ATTITUDE

Official thinking in the United Kingdom still rests upon the idea of a quick conference to confirm the principle of international <sup>operation</sup> control followed by presentation to Nasser of the decision of the Conference. The premises are that the principle of international <sup>operation</sup> control will gain general or majority acceptance, and that Nasser will accept the results of the Conference, failing which they could be used to support the use of force.

2. These premises are not valid. It cannot be assumed that the United Kingdom proposals for international <sup>operation</sup> control will gain general ~~or even majority~~ approval. On the contrary, there is likely to be <sup>some</sup> ~~likely to be~~ opposition to them. Nor, even if they are generally approved, can it be assumed that Egypt will accept them except as a result of negotiation.

3. The United Kingdom attitude shows little readiness to negotiate with Nasser. The prospect is no doubt unpalatable but if there is to be a peaceful solution contact with him will be necessary at some stage. If contact is made, it should not take the form of a bare ultimatum but preferably be conducted by intermediaries like India and the United States.

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4. It has not been made clear to us what action the United Kingdom intends to take if the Conference gives no backing or no effective backing to its proposals for international control. This is one of the gaps in our knowledge of British intention about which we have not been kept sufficiently informed.

5. If force is used the objective would presumably be to occupy the whole of Egypt and not merely the canal zone. The ultimate aim would presumably be to displace the Nasser regime, or force it into a treaty arrangement guaranteeing international control. There again, however, we have not been informed of United Kingdom intentions.

6. The United Kingdom view now seems to be that Russia would be unlikely to involve herself in hostilities if the United States joined in Anglo-French military measures. The United States' view has been that Russia would be less likely to intervene if the United States refrained from military action. Further information is needed under this heading if any confident assessment is to be made. A confident assessment is necessary before the United Kingdom approach can be supported. 163

7. There is little apparent disposition in the United Kingdom to consider solutions other than those which they now

SECRET

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SECRET

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now propose. The essence of a practicable solution is one which :-

- (a) safeguard the essential interests of all the countries concerned;
- (b) is likely to gain general support at the Conference;
- (c) could only be rejected by Egypt at the risk of losing the support she now has.

8. The United Kingdom proposal for international operation is unlikely to qualify under (b), and, especially if it gains no general support, may not qualify under (c). It is also doubtful, having regard to all the possibilities of the situation, whether the proposal is indispensable to Western, including Australian, interests. In the last resort operation by an Egyptian company should protect those interests given the following framework:-

- (a) an international treaty embodying protective principles to which Egypt subscribed;
- (b) creation of an international supervisory authority;
- (c) general acceptance of sanctions to be applied in the event of breach of the treaty principles;

SECRET

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/4.



4.

(d) compensation to the present company.

9. If the United Kingdom resorts to force, whatever international backing it receives, the ultimate result is not likely to be any improvement on such as that just outlined. Indeed, a solution reached by force, however satisfactory that solution may seem to be momentarily, will in the future be vulnerable to criticism and possible abrogation by some other regime. A reasonable settlement freely negotiated now with general support will be not so vulnerable.

10. The problem now facing us is one which would have confronted us twelve years hence when the abrogated concessions expire. At that point of time Egypt would have been entitled to insist not only upon national operation for its own benefit but also upon no international supervision. She would have been bound merely by the broad principles enumerated in the 1888 Convention. It seems unrealistic therefore not to look for some reasonable compromise which in fact gives us considerably more than could have been expected if the concessions ran their course.

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SECRET



11. The method by which Nasser nationalised the canal was highly objectionable and if he successfully flouts the United Kingdom there can be, and probably will be political consequences elsewhere in the Middle East. At the same time it should be possible by a realistic use of the London Conference to check him publicly. To this end the United Kingdom needs to devise some settlement which can be negotiated or imposed with substantial support. Its present proposals, and its method of negotiating them, are not likely to gain that support.

#### CONCLUSION

We can summarise the foregoing by saying that:

- (a) we need further information about United Kingdom intentions in regard to the use of force, including the point of application and the political objective of it;
- (b) we need to know why, if international control does not prove to be a feasible prospect, national control could not be conceded in the last resort, provided it was covered by international supervision and treaty safeguards;
- (c) we need to know what the United Kingdom intends if it fails to get general support for its proposals;

SECRET

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SECRET

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and if they get general support, how it proposes

that they be negotiated with Nasser;

(d) we need to know how the United Kingdom

and the United States respectively measure the

possibility of Russian military involvement;

(e) we need to know whether there has been any development

in United States' thinking.

*Tuk 15/8/56*

*159*

SECRET



163/4/7/3/3

DEPARTMENT OF EXTERNAL AFFAIRS.

**OUTWARD CABLEGRAM.** I F I E D

HP:VA

O. 11130

Sent: 15th August, 1956  
1705

TO:

Australian High Commission,  
LONDON.

1871. UNCLASSIFIED. IMMEDIATE.

For External.

R.S.L. executive carried and published following.  
Resolution on the Suez Canal 15th August.

Begins.

"That the R.S.S. & I.L.A. states quite clearly that  
it stands completely behind the Government of Australia in  
whatever action might be considered necessary to protect the  
interests of the British Commonwealth of Nations in the  
Suez Canal".

Ends.

-----  
A/P.M. & DEIT.  
A/MIN. & DEIT. E.A.  
P.M.'s.

16th August, 1956.

SEC A/Ss UN ER PAC&AM AN&SP S&SEA SA BAF&IE E AF&IE  
INF DL C&P IT CR

National Archives of Australia

NAA: A1838, 163/4/7/3/3 PART 4

SECRET

DEPARTMENT OF EXTERNAL AFFAIRS.

**OUTWARD CABLEGRAM.**

HP:AS

O.11140

Sent: 15th August, 1956  
1840

TO:

Australian High Commission,  
LONDON.

1873. SECRET.

For R.G. Menzies from Fadden.

First I send you our commendation on your broadcast of Monday night. It was well received and fully covered by the press - you even scored a favourable leading article in the "Sydney Morning Herald". This is about its only act of friendship to you or to us for weeks.

2. Your cable 2216 has now arrived. I share your great concern and will be discussing the whole matter with McBride and other senior colleagues late to-day. I regard the fact that you have been able to return to London as being of the greatest value to us and to the United Kingdom. The question as to at what point you should break off in London and return here is, in the last analysis, for your own judgment. I will discuss with colleagues whether there is anything we would wish to say in helping you to decide this point. Our best wishes.

3. I have just been given terms of a forthright resolution by the R.S.L. backing the Government in whatever action might be necessary.

---

A/P.M.  
SIR PHILIP MCBRIDE  
SIR FREDERICK SHEDDEN  
MR. A. PLIMSOLL  
MR. E. J. BUNTING

16th August, 1956  
(Cost £6/5/-)

SEC A/Ss

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National Archives of Australia

NAA: A1838, 163/4/7/3/3 PART 4



R.S.L. RESOLUTION ON SUEZ CANAL.

Text of note sent to Sir Arthur Fadden by Mr. Bunting  
on 15th August, 1956

(Received over telephone from Mr. Bunting's Office  
4.40 p.m., 15/8/56)

"I have just been telephoned on behalf of Mr. Nagel  
of the R.S.L. and asked to give you the following message:-

Quote:

The R.S.L. Federal Executive has today carried  
unanimously a resolution moved by Mr. W. Yeo (New  
South Wales) and seconded by Mr. R.V. Pearson  
(Queensland) in the following terms:-

That the R.S.S. & I.L.A. states quite  
clearly that it stands completely behind  
the Government of Australia in whatever  
action might be considered necessary to  
protect the interests of the British  
Commonwealth of Nations in the Suez  
Canal.

I was also asked to convey this to the Prime  
Minister in London and to release it to the press  
on the R.S.L.'s behalf.

I will refer to it in the cablegram to the P.M.  
but, as for releasing it to the press, I told the  
R.S.L. that the correct procedure would be for them  
to put it out. They will do this for the  
7 o'clock news.

Unquote.

.....

## EXTERNAL AFFAIRS.

163/4/7/3/3

File No.....

Date.....

2959/55.

SUBJECT

A.L.P. Statement on Suez.

FOR Mr Keen

The A.L.P. information on profits is substantially correct, although it does over look the point that the 5/- nominal value represents the price nearly 100 years ago. <sup>2/ necessary</sup> I think we need only say that we have been satisfied with the Company's good record of maintenance & service in the past & point out that since the war canal dues have in fact decreased - from 8/- to 7/- per ton for laden vessels, possibly expedient not to mention the actual size of the decrease although it does mean a decrease of 12 1/2% per cent. I don't think we should be drawn into a defence of the Company. We should assert that international conference ~~is necessary~~

W.H.  
15/8.

W.H.  
15/8.

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FA



(COPY)

PRESS STATEMENT

SUEZ CANAL CRISIS

Statement issued by the Executive of the Federal  
Parliamentary Labour Party

The Executive of the Federal Parliamentary Labour Party endorses the important statement made by Dr. Evatt, Leader of the Party, on the Suez Canal crisis.

Mr. Menzies' statement betrays a serious misconception of the nature of the problem.

In the first place he fails to understand that the situation between Egypt and the Suez Canal Company (registered in Egypt) is purely local and contractual and in no way prohibits Egypt from nationalising the shares of the Company subject to compensation.

International Law attaches no special sanctity to an agreement entered into by a Company merely because its shareholders comprise persons of sundry nationalities.

Mr. Menzies' statement in London on August 10th that Egypt's seizure of the Suez Canal was wrong "in every way" and must be resisted "at all costs" is dangerously provocative. Mr. Menzies concentrates his mind on nationalisation when the real issue is the future unrestricted use of the Canal.

The only international obligation involved is that the Suez Maritime Canal shall always be free and open in time of war as in time of peace to every vessel of commerce or war without distinction of flag.

This obligation entered into by contracting Nations and binding on all signatories to it including Egypt is not ended by Egypt's nationalisation of the Company.

Another error into which Mr. Menzies has fallen is his slighting reference to the United Nations, the Charter of which requires all members of the United Nations in settling their disputes to refrain from the use or threat of force. The basic principle of the Charter is to compel resort to the United Nations where there is likelihood of breach of international peace; no Nation is permitted to take the law into its own hands.

The gravest anxiety is felt in many quarters as to the much publicized military, naval and air movements by the United Kingdom and France involving carefully organised dispositions of substantial forces in relation to Egypt. Normally

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the first action of the Security Council of the United Nations in similar cases is to call upon all parties concerned to halt all such movements.

A recent financial report of the Canal Company contains startling evidence of huge profits and unduly high charges. Each share of approximately 5/- nominal value attracted a dividend last year of approximately £9. 0. 0 (3,600 per cent) and the market value of the same 5/- share of £74 represented an accretion in capital value of 29,500 per cent.

We support the continuance of the guarantee of free and unrestricted navigation through the Canal by ships of all Nations. That guarantee is an existing and continuing international obligation. The breach of the obligation in the case of vessels of Israel was clearly contrary to the guarantee and constitutes a grave injustice to that country.

The obligation should be meticulously honoured in all cases.

It is desirable that charges for the use of the waterway should be kept at a reasonable level.

Adequate maintenance and administration of the Canal should be assured.

The Australian Labour Party reaffirms the principle that the Suez Canal dispute could and should have been referred to the United Nations.

It is regrettable that Mr. Menzies saw fit to bypass the established processes of conciliation and peaceful settlement through the United Nations.

If no solution is reached at London, United Nations jurisdiction must be invoked without further avoidable delay.

Mr. Menzies has no authority to commit Australian forces in connection with this dispute without the prior and express authority of the Australian Parliament.

.....

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15th August 1956





*St. John W.*  
*1 Aug. 1956*  
*162/4/7/3/31*

In reply quote No. 2031.

Memo No. 1128/56.

CONFIDENTIAL

AUSTRALIAN HIGH COMMISSIONER'S OFFICE,  
COLOMBO.

15th August, 1956.

The Secretary,  
Department of External Affairs,  
CANBERRA, A.C.T.

Suez Canal

.... Attached is a copy of our telegram No. 4,  
of 14th August, 1956, despatched to London concerning  
Mr. Subasinghe, Parliamentary Secretary for Defence  
and External Affairs.

*1. Mr. Subasinghe*  
*2. Mr. ...*  
*RM/ym*

R.A. Peachey  
First Secretary.

CONFIDENTIAL

Australian High Commission, Colombo

OUTWARD CABLEGRAM

To: GROTONATE, LONDON.

CYPHER.

File No.2031.

No. 4.

CONFIDENTIAL

Despatched..... 14th August, 1956

CONFIDENTIAL.

Suez Canal.

Subasinghe, Parliamentary Secretary Defence and External Affairs, will arrive London 14th August to assist Ceylon High Commissioner at the Suez Conference. Subasinghe left the Trotskyist (M.L.S.S.P. shortly before the general elections and stood as an independent socialist. He is still regarded by United Kingdom and United States missions as dangerous and should be treated with reserve.

2. After the Suez Conference he will visit Moscow and Peking to discuss trade and exchange of diplomatic missions.

Approved ..... *ga*

Dist: High Commissioner - File Copy  
First Secretary  
Third Secretary - Cable File  
Sequence

CONFIDENTIAL *51*



GJW:ABK.

DEPARTMENT OF EXTERNAL AFFAIRS.

**INWARD CABLEGRAM.**

L. 10863

Dated: 15th August, 1956.  
1609.

FROM:

Rec'd: 16th August, 1956.  
1000.

Australian Embassy,  
WASHINGTON.

835. UNCLASSIFIED.

Addressed Canberra 835, London 88.

The parenthetical clause at the end of paragraph 5 of our 826/84 should be between "necessary" and "minimum" in the preceding sentence.

A/P.M. & DEPT.  
A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE.  
P.M.'S.

16th August, 1956.

STC A/Ss L&T(DIV.5) UN ER CR PAC&AM AM&SP S&SEA SA  
SEA E.AF&MT E AF&ME INF DL MT C&P,  
G.

SECRET

163/4/7/3/3

## CABLEGRAM.

BGH:ABK.

I. 10813/18

Dated: 14th August, 1956.  
1448.  
Rec'd: 15th August, 1956.  
1450.

FROM:

Australian Embassy,  
WASHINGTON.

826. SECRET.

Repeated London 84 for the Prime Minister, Casey and  
Tange.

Suez.

Because of his extremely tight schedule before departing for London Dulles was unable to see me and arranged a meeting with Rountree late yesterday to give me United States thinking on the eve of the Conference.

2. I referred briefly to Chalmers Robert's story, the State Department denial (our 825) and the State Department Spokesman's reported declining to say specifically whether that meant that the three Powers favoured International body to operate the Canal. I asked whether, while still tabling the five principles resolution, the United States might be tending to draw distinction between "operation" and "guarantee" of the Canal. Rountree said Chalmers Robert's story was speculation. The fact was that the United States agreed with the need for "International flavour" in the operation of the Canal. But the United States saw the five principles as a "general guide with details to be worked out later". This did not imply any disagreement with the United Kingdom and France on the methods of putting general principles into effect, although the latter were open to various interpretations. The United States proposed to enter the London Conference open-minded as to a formula for implementing those principles. The United States had no plan as such and there was "no plan of the kind Roberts sets out".

3. Rountree was being very guarded in what he said. To draw him I asked him directly whether the United States regarded an "operating authority" as necessary. Rountree evaded the question. He said United States plans for the conference would depend in a large measure on the attitude of the other participants. The United States would seek as broad an agreement as possible which would "accomplish the five principles". If no such broad agreement was possible, he was in no position to say what the United States would do thereafter. That would depend on the current situation, on the attitudes revealed at the Conference etc. The United States felt however something had to be done to remedy the present state of affairs, the continuation of which could produce a very serious situation.

4. I then referred to Nasser's 12th August statement which, whilst rejecting control, did not perhaps altogether reject some supervisory international arrangement. Was Nasser thinking of the United Nations? Early in the Conference I thought there would be a fairly clear division on the question of control. There would be some, I thought, who would argue that International Control was impracticable because of the Egyptian attitude and that in any event Egypt's own guarantee would be sufficient.

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SECRET

## INWARD CABLEGRAM.

2. I. 10213/18

5. Rountree said "essential problems would be":-

- (A) To what extent would Egypt be responsible for hiring and firing higher officers of the Canal.
- (B) To what extent would Egypt set tolls and dispose of the proceeds. The present United States view was that any arrangement which put in Egyptian hands "complete responsibility" would be unacceptable. There were however shares in terms and the nature of controls. Major question would be to determine necessary minimum control. (I assume he meant "effective").

6. I asked whether he thought the United Kingdom was as elastic in its approach to the problem of control as the United States appeared to me to be. Rountree said the United Kingdom position was firmer in general, but the United States was in no sense at odds with the United Kingdom.

7. I sought on several occasions some indication of the general nature of any Conference Resolution the United States might be contemplating. Rountree said there was no United States Government position. The State Department legal advisers had merely been considering alternatives but had not even reached the point of drafting resolutions.

8. Rountree readily agreed that in view of the widely divergent views of Conference Members any foreseeable unanimous resolution would be worthless. At the other extreme he said there would be little point in a resolution or plan which world opinion considered Egypt could not reasonably be expected to accept---for example one completely reversing everything Nasser had done.

9. When I emphasised the prime importance of steps subsequent to the Conference including the time factor, Rountree said he was sure Dulles had "some real ideas". Rountree's impression was however that the situation would have to be played by ear, hence the size of Dulles' Staff (22 Advisers including Rountree, Bowie and Phleger).

10. Rountree agreed that the United Kingdom could not accept any situation in which Nasser or anyone like him would be able to cut its jugular vein. I asked what kind of action was the United States contemplating if Egypt did not accept the Conference Resolution ---pure diplomacy or economic pressure or other means. Rountree said the question had not yet been fully thought out, but thought had been given to economic sanctions and the possibility of military action could not be completely discarded, especially if economic sanctions were to result in Egyptian action against foreign Nationals etc. Subsequent steps would however be determined by how the Conference developed and by attitudes expressed there.

11. Following are my main impressions from this discussion. They are based rather more on what Rountree did not say than on what he said, plus his general demeanour which was "cagey" if not uneasy..

- (A) My judgement is that while Dulles is adhering generally to the Five Principles he will be very elastic in giving effect to them.
- (B) His attention in London will I think be largely directed to the Post-Conference position. He will I believe have fully in mind at every step towards a Resolution that the more unpalatable to Egypt any

SECRET ....3.



SECRET

INWARD CABLEGRAM. <sup>5. 10813/18.</sup>

Resolution is, the greater will be the problem of implementing it.

- (C) I gathered from Rountree's demenour, particularly during the discussion of Chalmers Roberts' story and the State Department denial that the United States is not unalterably wedded to the idea of an International operating agency, and I should not be surprised to see the United States move towards some supervisory body as an alternative.
- (D) If the United States has its way, I would guess that it would seek a Resolution expressing the majority view of the Conference in terms of principles and avoid as far as possible committing itself to any Resolution spelling out in any detail the outlines of a concrete plan.

12. In short, whilst I am sure Dulles shares the United Kingdom view of the gravity of the situation created by Nasser, and its vital significance both to United Kingdom and the Western world, apprehension of consequences if any solution is sought to be imposed or has to be imposed upon Nasser will weigh heavily with him and his inclination will be towards producing a resolution which might possibly form the basis for settlement and so provide reasonable room for further diplomatic activities rather than a resolution which will be so unacceptable to Egypt that it would not allow room for such activities and would have to be enforced against her by external means if it were to be carried into effect at all. I suggest it would be as well to prepare for this kind of United States approach in London.

Spender.

A/P.M. & DEPT.  
A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE.  
P.M.'S.

15th August, 1956.

SEC A/Ss L&T(DIV.5) UN ER CR PAC&AM AM&SP S&SEA SA  
SEA E.A.F&ME E AF&ME INF DL MT C&P.  
G.

147

SECRET



163/4/7/3/3

DEPARTMENT OF EXTERNAL AFFAIRS.

**OUTWARD CABLEGRAM.**

UNCLASSIFIED

HP:VA

D. 11128

Sent: 15th August, 1956  
1705

TO:  
FAC .

Australian High Commission,  
LONDON.

1869. UNCLASSIFIED. IMMEDIATE.

For McIntyre.

Following telegram No. 1870 contains Labour Party  
statement on Suez to be shown Prime Minister and Casey.

- - - - -

A/MIN. & DEPT. E.A.  
P.M.'s. DEPT.  
P.M.'s.

(Cost £1.13.4)  
16th August, 1956.

SEC A/Ss UN ER CR PAC&NI AM&CT S&SEA SA EAF&ME E  
AF&ME INF DL C&F MT

146

FA

U N C L A S S I F I E D

DEPARTMENT OF EXTERNAL AFFAIRS

0.11129

BH

**OUTWARD CABLEGRAM**

sent 15th August, 1956.  
1700

TO:

Australian High Commission,  
LONDON.

1870

UNCLASSIFIED

For External.

Suez Canal Crisis.

Statement issued by the Executive of the  
Federal Parliamentary Labour Party 15th August.

The Executive of the Federal Parliamentary  
Labour Party endorses the important statement made by  
Dr. Evatt, Leader of the Party, on the Suez Canal crisis.

Mr. Menzies' statement betrays a serious  
misconception of the nature of the problem.

In the first place he fails to understand that  
the situation between Egypt and the Suez Canal Company  
(registered in Egypt) is purely local and contractual and  
in no way prohibits Egypt from nationalising the shares  
of the Company subject to compensation.

International Law attaches no special sanctity  
to an agreement entered into by a Company merely because  
its shareholders comprise persons of sundry nationalities.

Mr. Menzies' Statement in London on August 10th  
that Egypt's seizure of the Suez Canal was wrong "in every  
way" and must be resisted "at all costs" is dangerously  
provocative. Mr. Menzies concentrates his mind on nationalis-  
ation when the real issue is the future unrestricted use of  
the Canal.

The only international obligation involved is  
that the Suez Maritime Canal shall always be free and open  
in time of war as in time of peace to every vessel of  
commerce or war without distinction of flag.

This obligation entered into by contracting Nations  
and binding on all signatories to it including Egypt is not  
ended by Egypt's nationalisation of the Company.

Another error into which Mr. Menzies has fallen  
is his slighting reference to the United Nations, the Charter  
of which requires all members of the United Nations in  
settling their disputes to refrain from the use or threat  
of force. The basic principle of the Charter is to compel  
resort to the United Nations where there is likelihood of  
breach of international peace; no Nation is permitted to  
take the law into its own hands.

The gravest anxiety is felt in many quarters as to  
the much publicized military, naval and air movements by the  
United Kingdom and France involving carefully organised  
dispositions of substantial forces in relation to Egypt.  
Normally the first action of the Security Council of the  
United Nations in similar cases is to call upon all parties  
concerned to halt all such movements.

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A recent financial report of the Canal Company contains startling evidence of huge profits and unduly high charges. Each share of approximately 5/- nominal value attracted a dividend last year of approximately 29.0.0. (3,600 per cent) and the market value of the same 5/- share of £74 represented an accretion in capital value of 29,500 per cent.

### OUTWARD CABLEGRAM.

We support the continuance of the guarantee of free and unrestricted navigation through the Canal by ships of all Nations. That guarantee is an existing and continuing international obligation. The breach of the obligation in the case of vessels of Israel was clearly contrary to the guarantee and constitutes a grave injustice to that country.

The obligation should be meticulously honoured in all cases.

It is desirable that charges for the use of the waterway should be kept at a reasonable level.

Adequate maintenance and administration of the Canal should be assured.

The Australian Labour Party reaffirms the principle that the Suez Canal dispute could and should have been referred to the United Nations.

It is regrettable that Mr. Menzies saw fit to by-pass the established processes of conciliation and peaceful settlement through the United Nations.

If no solution is reached at London, United Nations jurisdiction must be invoked without further avoidable delay.

Mr. Menzies has no authority to commit Australian forces in connection with this dispute without the prior and express authority of the Australian Parliament.

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(Cost £3.6.8)

A/P.M. & DEPT  
A/MIN & DEPT. E.A.  
P.M.'S PRESS SECRETARY  
P.M.'S.

16th August, 1956.

SEC 1/Ss UN ER CR PAC&AM AM&SP S&SEA SA SEA  
EAF&ME E AF&ME INF DL C&P MT

144

163/4/7/3/3

IMMEDIATE

CONFIDENTIAL

15th August, 1956.

SUEZ CANAL.

THE ACTING SECRETARY:  
THE ASSISTANT SECRETARY,  
DIVISION IV: ✓  
*U*

You will no doubt be of the opinion that the 1.15 p.m. News Commentaries on the ABC are not of a very high standard. Today, however, the one given by Mr. Denis Warner provided, in my opinion, food for thought.

2. Attached is the portion of the broadcast dealing with the Suez Canal dispute, the more important portion of which is side-lined.

*J. Oldham*  
(J. Oldham)

Special Adviser on Commonwealth Relations.

JEO:HMS.

*Im [unclear] per Billington  
was 16/8*

143

CONFIDENTIAL

*FAD*



.....Before the conference had been in session for 24 hours (Bandung), it was evident that though Asia and Africa were clearly resurgent, they were far from united. The handsome and charming Chou en-Lai, Prime Minister of Communist China, who came like a debutante on the arm of Mr. Nehru, of India, was soon the centre of storm, and on many issues the nations divided, with countries such as Turkey, Iraq, Pakistan and the Philippines firmly united in their determination not to give the Communists a crumb of comfort, and India and the neutralist group just as anxious to chase colonialism around the ring.

There were doubts in the closing hours of the conference whether the delegates would be able to decide on the wording of the communique. But eventually compromises produced an unexceptionable document, and the delegates went on their way not quite sure what they had achieved.

But it has been quite obvious ever since that they achieved more than they themselves realized. When the bickering and doubts were forgotten one clear fact emerged. Asia and Africa might still be largely under-developed, but it had a voice in world affairs that could command attention. And while Chou en-Lai appeared to have a great personal victory at the conference, national pride and consciousness had also been stimulated. Asia and Africa might still speak with several voices, but they were nevertheless voices that would be heard in the councils of the world.

It is against this background that the Asians tend to regard the Egyptian Suez Canal grab. They are less concerned with the illegality of the act than they are with what they see as Egyptian nationalism under threat from old-time imperialism. The latest issue of the magazine "Jana", which is published in Ceylon and likes to consider itself "Time" of Asia and Africa, declares that in deciding to nationalize the Suez Canal, Egypt has been taking over what rightly belongs to the people of Egypt. The use of such tendentious and misleading phrases as "seizure" by politicians in the U.S. and Europe cannot pervert the fact that in nationalizing the Suez Canal company, Egypt has re-asserted its authority over what is legitimately hers, the magazine continues. The Suez Canal Company is a vestige of the imperialist past.

The flaws in the magazine's argument are obvious. But it may be taken for granted that this widespread Asian view will be advanced at the London conference by a number of the nations, including some if not all of the Arab States, Ceylon, Indonesia and perhaps India. And however much the argument ignores fact it must influence the judgment of others whose ~~logic~~ logic is unclouded by any sense of outraged nationalism, but who are nevertheless concerned that the uncommitted national states of the world should not consider themselves in conflict with the West. To many of the world's statesmen the hope of containing Communism within its present limits lies in the encouragement of genuine nationalist movements, and one of the not so minor tragedies of the Canal issue is that while Egypt is so clearly in the wrong it can be coerced into line only at the risk of losing the goodwill of nations whose friendship must be encouraged as part of the even more urgent task of preventing the expansion of Communist influence.

In this most complex of situations the Russians clearly see prospects of eating their cake and having it too. These prospects, happily, are slighter on the conference eve than they were a week or so ago. Mr. Dulles left for London last night talking in optimistic terms, and delegates may well see the unique spectacle of the U.S. Secretary of State and Mr. Krishna Menon of India teaming up as a pair of honest brokers.

142



/teaming up as a pair of honest brokers .

Two other delegates to the conference have had problems far removed from the Suez Canal issue. Mr. Casey, who knows the worth of the Colombo Plan has said in Singapore that despite some difficulties in Australia, every effort would be made to continue our help to Singapore, Malaya, and ~~my~~ other friendly South Asian countries. Of course, a cut in our Colombo Plan contribution, or even a cessation of all our £5 million of annual aid, would not precipitate a crisis of the type that sprang up when the U.S. and Britain withdrew their Aswan Dam aid offer to Egypt. Our contribution is small potatoes, but it is none the less valuable. In a small way and at negligible cost Australia has been winning friends and helping people of S.E. Asia, and the sudden drawing in of our horns would be a most retrograde step.

But Mr. Casey's embarrassment in having to explain a possible cut in our Colombo Plan contribution was nothing to the personal difficulties of Mr. Abdulgani, the Indonesian Foreign Minister, who left for London one jump ahead of the Indonesian army. The Army has already arrested.....a former Minister of Information and the deputy director of the Government Printing House, and Mr. Abdulgani is on its lists. The Army versus Government struggle which has been going on in Indonesia.....

141



CONFIDENTIAL

163/4/7/3/3

DEPARTMENT OF EXTERNAL AFFAIRS.

DW:SH

**OUTWARD CABLEGRAM.**

TO:

Sent. 15th August, 1956  
1830

Australian Legation,  
C A I R O.

160. CONFIDENTIAL - PRIORITY

From Civil Aviation No.CCA64.

Please pass following to Tapp Q.E.A.  
from Turner Q.E.A. General Manager.

"Your KLX 005 9th August. Have already in-  
formed Smallpiece B.O.A.C. London verbally that  
Quantas would consider assisting with charters  
for evacuation personnel if requested but sub-  
ject of course to Australian Government  
clearance. Desire now to leave question your  
personal movements to your own discretion but  
you should be available London if any diversions  
Q.E.A. services required."

For Cutler. If Tapp leaves Cairo we assume  
you will keep in close touch Bingham of B.O.A.C. in safe-  
guarding Q.E.A. aircraft movements.

(COST £13.4.0)

MIN. & DEPT. CIVIL AVIATION(CCA64) 16th August, 1956  
A/MIN & DEPT. E.A.  
MIN. & DEPT. DEFENCE  
A/MIN. & DEPT. TRADE (C)  
TREASURER & TREASURY  
MIN. & DEPT. S&T  
QUANTAS EMPIRE AIRWAYS (SYD)  
P.M. 's

SEC A/S's UN ER@ CR PAC&AM AM&SP S&SEA SA  
SEA EA&ME E AF&ME INF BL C&P MT  
G

140  
FAD

163/4/7/3/3  
DEPARTMENT OF EXTERNAL AFFAIRS.

**CONFIDENTIAL**  
**OUTWARD CABLEGRAM.**

JC:SHA

Dated: 15th August, 1956.  
1640

TO:

Australian Legation,  
CAIRO.

159. CONFIDENTIAL. PRIORITY.

Your 174. For Tapp from Q.E.A.

C.C.A.65. Firstly Karachi instructed imperative  
EM531/107 be held Karachi until you inform them safe to proceed.  
Alternatively we expect you will advise us if diversion necessary.

Secondly London requested hold EM534/024 and  
desire you instruct them similarly.

Thirdly London informed action EM531/107.

Cost £4/18/4

A/MIN. & DEPT. E.A.  
MIN. & DEPT. CIVIL AVIATION (CA174)  
QANTAS EMPIRE AIRWAYS LTD, SYDNEY  
P.M.'s

16th August, 1956.

SEC A/Ss UN ER CR PAC&AM AM&SP S&SEA SA SEA EAF&ME E  
AF&ME INF DL C&P MT

National Archives of Australia

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NAA: A1838, 163/4/7/3/3 PART 4



SECRET

DEPARTMENT OF EXTERNAL AFFAIRS.

INWARD CABLEGRAM.

OA:HMcC

AMENDED COPY

I. 10860

Dated: 15th August, 1956.

1500

Rec'd: 15th August, 1956.

2150

FROM:-

Australian Commission,  
S I N G A P O R E.

418. SECRET. IMMEDIATE.

Addressed Canberra 418 repeated London 22.

\* B.D.C.C. will meet on Friday 17th August, a.m. to consider implications of Suez Canal crisis for this area. I hope to obtain basic paper tomorrow and will cable any significant points. Is there any question you wish me to raise or information you need.

x.

Harry.

\* *Brit. Defence*  
*Co-ord. C'the*

-----  
x Amendment

(T/TYPED TO DEFENCE)

A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE  
P.M'S.

16th August, 1956.

SEC A/Ss UN ER PAC&AM AM&SP S&SEA SA EAF&ME E  
AF&ME INF DE M.T. C&P.

138

163/4/7/3/3

DEPARTMENT OF EXTERNAL AFFAIRS.

**OUTWARD CABLEGRAM.**

McD:ABK.

O. 11125/6.

Sent: 15th August, 1956.  
1830.

TO:

Australian High Commission,  
LONDON.....1868.

REITERATED:

Australian Legation,  
CAIRO.....SAV. 13.

UNCLASSIFIED.     PRIORITY.

Our 1773.

As a result of operational study of route to be followed if Qantas services are diverted from Cairo, the Company has advised that a stop at Istanbul would be necessary.

Please ask Foreign Office to inform British Embassy Ankara earliest that in addition to exercising transit rights, Q.E.A. would make a technical stop at Istanbul under the terms of the Transit Agreement if diversion becomes necessary.

A/MIN. & DEPT. E.A. (716/51/1/1)  
MIN. & DEPT. CIVIL AVIATION.  
MIN. & DEPT. TRADE (C)  
TREASURER & TREASURY.  
P.M.'S.

(Cost £4/5/-)

16th August, 1956.

SEC A/Ss L&T(DIV.5) UN ER@ CR PAC&AM AM&SP S&SEA SA  
E.AF&ME E AF&ME INF DL C&P MT.

FM

137



163/4/7/3/3.  
SECRET

DEPARTMENT OF EXTERNAL AFFAIRS.

**OUTWARD CABLEGRAM.**

HP:HMCC

O.11124

Sent: 15th August, 1956.  
1700

TO:-

Australian High Commission,  
L O N D O N.

1867. SECRET.

For External.

Suez Canal.

Before use is made of paragraph 5 Section (b) of delegation brief, you should see telegram No. 986 from Minister for External Affairs New Zealand to New Zealand High Commission London which raises queries about these figures.

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A/MIN. & DEPT. E.A. (780/6)  
P.M'S.

16th August, 1956.

DEPARTMENT OF EXTERNAL AFFAIRS.  
**INWARD CABLEGRAM.**

163/4/7/3/3

U N C L A S S I F I E D

AS

I.10798

Dated: 14th August, 1956  
1437  
Rec'd: 15th August, 1956  
0830

FROM:

Australian Legation,  
CAIRO.

172. UNCLASSIFIED. IMMEDIATE.

General emphasis in to-day's Editorial is on advantages of the more representative "Cairo" conference compared with the London conference. The former would correct legal irregularities of the latter. It is claimed that West has been thrown into confusion and that British and French position has become critical with increase in opposition to use of force.

Other points are:

Egypt's enemies have been unable to find fault with Nasser's statement which aimed at preserving peace. If West opposes Egyptian proposal, that would prove a determination to violate Egyptian sovereignty. Only Anwar Sadat strikes different note by stressing that the Canal question is essentially a factor in conflict between the East and West, a conflict which will continue so long as the West bases its relations with the East on inequitable foundations.

A/MIN&DEPT EA  
MIN&DEPT DEFENCE  
A/MIN&DEPT TRADE (C)  
TREASURER&TREASURY  
MIN&DEPT S&T  
P.M.'S

15th August, 1956

SEC A/Ss L&T(DIV5) UN ER CR PAC&AM AM&SP S&SEA  
SA SEA E.AF&ME E AF&ME INF DL MT C&P

135



CABLEGRAM.

CONFIDENTIAL

163/4/7/3/3

ABK:HMcC

I.10763

Dated: 14th August, 1956.  
1310  
Rec'd: 15th August, 1956.  
0830

FROM:-

Australian High Commission,  
K A R A C H I.

239. CONFIDENTIAL. PRIORITY.

Addressed Canberra 239, repeated London 10.

Suez Conference.

1. The Prime Minister told the Acting United Kingdom High Commissioner yesterday that Pakistan's objective at the Conference was unfettered use of the Canal, but he thought the use of force in achieving this would be wrong. The settlement would have to be a negotiated one although he could not see clearly at present how this was to be achieved or who all the Parties to the negotiations would be, but doubtless the answers to these questions would emerge from the London Conference. He said that he thought that the original offer of aid for the Aswan Dam and its withdrawal were mistakes. As part of the settlement he thought Nasser would have to forego his declared intention of financing the Dam from Canal profits. The vital thing was that the whole question should be lifted above the level of outraged nationalism.

2. The Foreign Minister accompanied by Dehlavi left last night for London. He is breaking his journey for half a day in Cairo where Dehlavi said he wished to learn at first hand what was behind Nasser's offer of a few days ago of a Conference aimed at an International Agreement reaffirming and guaranteeing freedom of navigation.

3. I spoke to the Foreign Minister briefly at the airfield before his departure. He said he was looking forward to having a long talk with Mr. Casey before the Conference began. He said he was very perplexed as to what sort of solution could be arrived at in London. He spoke of the vital importance of freedom of navigation to Pakistan's trade. He said that while Pakistan could not say publicly that Nasser could not be trusted they were genuinely concerned that he would misuse the Canal. He said that he thought that he would be certain to raise the dues. He said that he had little idea how long the Conference was likely to last but he was going on the assumption that it would last only seven days.

Bullock.

A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE  
P.M'S.

15th August, 1956.

SEC A/Ss L&T(DIV.5) UN ER PAC&AM AM&SP S&SEA SA SEA  
EAF&ME E AF&ME INF DL M.T. C&P

G

CONFIDENTIAL



DEPARTMENT OF EXTERNAL AFFAIRS. **CONFIDENTIAL**  
**INWARD CABLEGRAM.** 163/4/7/3/3

ABK:AS

I.10766

Dated: 14th August, 1956  
1725  
Rec'd: 15th August, 1956  
0830

FROM:

Australian High Commission,  
WELLINGTON.

209. CONFIDENTIAL.

Suez.

New Zealand External Affairs has given us a set of their brief papers for MacDonald at the London Conference. The papers, which they explain were hurriedly drafted, cover political, economic, legal and international aspects of Suez. No papers have been prepared on defence aspect as the New Zealanders have no idea of the implications of United Kingdom Armed Services preparations nor do they know where New Zealand would fit in if war should occur.

2. The papers are being forwarded by Friday's bag.

Collins.

A/MIN&DEPT EA  
MIN&DEPT DEFENCE  
A/MIN&DEPT TRADE (C)  
TREASURER&TREASURY  
MIN&DEPT S&T  
P.M'S

15th August, 1956

SEC A/Ss L&T(DIV5) UN ER CR PAC&AM AM&SP  
S&SEA SA SEA E.AF&ME E AF&ME INF DL MT  
C&P  
G



DEPARTMENT OF EXTERNAL AFFAIRS  
**RESTRICTED**  
**INWARD CABLEGRAM.** 163/4/7/3/3

DD:AS

I.10803

Dated: 14th August, 1956  
2126  
Rec'd: 15th August, 1956  
0830

FROM:

Australian Legation,  
CAIRO.

174. RESTRICTED.

Please pass the following urgently to Qantas for Turner, Crowther, Howson from Tapp.

Firstly, Egyptian Government now unable to guarantee facilities or security at Cairo airport during the period of the strike which will be from midnight 15th to midnight 16th.

Secondly, indications are that similar conditions will apply in all Arab countries. Ø

Thirdly, all airlines cancelling services unless able to confirm during interim period their diversion points will be fully operational.

Fourthly, unless you can obtain confirmation re Tekong (Besar), essential EM531 held at Karachi 24 hours.

Fifthly, you instruct Captain.

A/MIN&DEPT EA  
MIN&DEPT CIVIL AVIATION  
QANTAS EMPIRE AIRWAYS LTD.

4563 4030  
(Teletype to EA Sydney and Melbourne  
for Qantas and Civil Aviation).  
15th August, 1956  
(Ø Corrupt Group)

SEC	A/Ss	UN	ER	CR	PAC&AM	AM&SP	S&SEA	SA	SEA
E.AF&ME	E	AF&ME	INF	DL	MT	C&P			
G									

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NAA: A1838, 163/4/7/3/3 PART 4



CONFIDENTIAL  
163/4/7/3/3.

DEPARTMENT OF EXTERNAL AFFAIRS  
**INWARD CABLEGRAM.**

I. 10768.

JERC:OA.

Sent: 14th August, 1956.  
1800

FROM:

Recd: 15th August, 1956.  
0830

Australian High Commission,  
COLOMBO.

180. CONFIDENTIAL. IMMEDIATE.

Addressed to London 3, for External, repeated to  
External Affairs, Canberra 180.

Suez Canal.

Following summarises the latest attitude of Ceylon  
as I understand it.

2. They do not need persuasion on the economic importance of the Canal, but, being neutralist, are not impressed by strategical arguments. They agree in theory with the advantages of internationalisation, but dismiss it as a practical solution on the grounds that, Egypt having rejected it, it could only be imposed by force, at the risk of war. (In any event, they would be reluctant, for wider reasons, to oppose publicly the Egyptian right to nationalise). They see the solution as acceptance of nationalisation subject to adequate safeguard of international interests. They do not dispute our concern regarding the danger of inefficient operation, increased tolls and possible interference or discrimination, but consider these can be covered by safeguards so drafted as to minimise the risk of subsequent dishonouring. They do not deny that some risk might remain, but say the only alternative is internationalisation and war.

3. In treating the Egyptian rejection of internationalisation as final, Ceylon ignores the possibility that key non-western countries might be persuaded at the Conference of the need for internationalisation and might influence Egypt to accept it. This is regrettable, but recent public statements by India and Russia have rendered the possibility rather remote and, in any event, the individual influence of Ceylon would have been slight.

4. If the Ceylon Prime Minister had been able to attend the Conference it is barely possible that our Prime Minister and Minister for External Affairs might have influenced him, but he would probably have been tiresome and talkative. The High Commissioner and Subasistor seem unlikely to have much latitude and can be expected to echo the Indian line.

Eastman.

-----  
A/MIN & DEPT E.A.  
A/MIN & DEPT. TRADE (C)  
MIN & DEPT. DEF.  
TREASR & TREASY  
MIN & DEPT. S. & T.  
P.M'S.

15th August, 1956.

CONFIDENTIAL

SEC. A/Ss L&T (Div. 5) UN ER CR PAC&AM AM&SP S&SEA SA SEA EAF&ME E  
AF&ME INF DL MT C&P



**CONFIDENTIAL**  
**CABLEGRAM.** 163/4/7/3/3

:MB

I. 10802.

Dated: 14th August, 1956.  
2124

FROM:

Rec'd: 15th August, 1956.  
0945Australian Legation,  
CAIRO.173. CONFIDENTIAL.

Repeated to London 23.

From Cutler.

The Minister for Foreign Affairs sent for me this morning "to put himself at my disposal to answer any points on the Suez Canal question". The Minister's attitude was very conciliatory and seemed anxious to assure me of Egyptian understanding of the concern expressed by us regarding the Canal. He expressed the desire for negotiation, presumably to originate from the "Cairo" Conference. The essence of half an hour's discussion was:-

- (1) Egypt will not accept any action or suggestions contrary to "her sovereignty and dignity".
- (2) Willing to plan with the signatories of the Constantinople Convention Conference and interested countries, and to sign an international agreement, preferably a joint one, guaranteeing free navigation, and including any other points desired, so long as they are not aimed against Egypt.
- (3) Would welcome Technical Advisory Board provided terms of reference only advisory.

2. I asked the Minister for Foreign Affairs which countries he was approaching along the above lines and he replied the London Conference countries in the first instance, and later other interested countries. He gave me the impression that Egypt was seeking support - almost seeking request for a Cairo Conference to be convened. I suggested discussion with the United Kingdom Ambassador would be useful, but the Minister for Foreign Affairs said this could only be at a later date. The United Kingdom Ambassador seems to be keeping aloof from the Egyptian authorities and indeed from his colleagues but I have conveyed all above information to the Embassy.

3. I called on the Pakistan Minister for Foreign Affairs who saw Nasser to-day. Former en route to London and his impression of Nasser's offer agrees with mine gained from the Egyptian Minister for Foreign Affairs. The Pakistan Minister for Foreign Affairs believes negotiations should commence on the basis of the Constantinople Convention and aim at seeking corporate body to control the Canal with Egyptian majority membership and user countries minority representation. The latter to be sufficiently strong however to have some influence.

4. General strikes called for Thursday 16th August in Egypt and all Arab countries in support of Nasser's nationalization of the Canal. One result will be Qantas planes may have to remain at Karachi for a day as all airports will be out

2./.....

DEPARTMENT OF EXTERNAL AFFAIRS. **CONFIDENTIAL**  
**INWARD CABLEGRAM.**

-2-

I. 10802.

of operation except perhaps Tehran.

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A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE.  
TREASURER AND TREASURY.  
A/MIN. & DEPT. TRADE (CANB.)  
MIN. & DEPT. S. & T.  
P.M'S.

15th August, 1956.

SEC A/Ss L&T(Div. 5) UN ER OR PAC&AM AM&SP S&SEA  
SA SEA E.AF&ME E AF&ME INF DL MT C&P

G

**CONFIDENTIAL**



163/4/7/3/3

DEPARTMENT OF EXTERNAL AFFAIRS  
**CONFIDENTIAL**  
**INWARD CABLEGRAM.**

OA:SHA

I.10804.

Dated: 14th August, 1956.  
1943  
Recd.: 15th August, 1956.  
0830

FROM:

Australian High Commission,  
LONDON.

2219.

CONFIDENTIAL.

PRIORITY.

Treasury from Woodrow.

Your 1857. Payment for Exports to Egypt.

Except for arms and warlike material and a limited list of other items, exports to Egypt are not subject to export licensing.

2. If United Kingdom exporters are able to arrange payment in currencies other than Sterling no objection would be raised by United Kingdom Exchange Control provided the currencies concerned were readily usable (e.g. dollars, deutschmarks.).

3. Exporters are also free to continue to ship goods at their own risk in the hope of eventual payment in Sterling.

TREAS. & TREASURY  
A/MIN. & DEPT. E.A.  
A/MIN. & DEPT. TRADE (C)  
MIN. & DEPT. DEFENCE  
MIN. & DEPT. S. & T.  
P.M.'s

15th August, 1956.

SEC A/Ss L&T(DIV 5) UN ER CR PAC&AM AM&SP S&SEA SA SEA  
EAF&ME E AF&ME INF DL MT C&P  
G

National Archives of Australia

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NAA: A1838, 163/4/7/3/3 PART 4

163/4/7/3/3  
IMMEDIATE.

CONFIDENTIAL

15th August, 1956.

SUEZ CANAL CONFERENCE - <sup>^</sup>ROLE OF INDIAN AND U.S.A. DELEGATIONS.

THE ACTING  
SECRETARY,  
THE ASSISTANT SECRETARY,  
DIVISION IV:

There appears to be much newspaper and radio speculation concerning the role which the Indian and U.S.A. Delegations will play at the London Conference.

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*J. Oldham*  
(J. Oldham)

Special Adviser on Commonwealth Relations.

JEO:HMS.

*McLindal*  
*Mr. Cunningham*  
*16/8*

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CONFIDENTIAL



Mr. Kevin

I N D I A R A D I O N E W S S E R V I C E

Information Service of India, Sydney

TUNE IN ALL INDIA RADIO

Special broadcast to Australia daily:- 8 p.m. to 9 p.m. (A.E.T.)  
15310 Kc/s (19.60 metres) and 17840 Kc/s (16.82 metres)

(AUGUST 10, 1956)

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A member asked whether the decrease in influx after March was due to tightening up in the issue of migration certificates or due to other causes. Mr. Nehru replied that he felt the decrease was due to a more rigid scrutiny of applications for the issue of migration certificates. There was no question of denying this certificate.

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##### Nehru's message to Mayor of Nagasaki

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In a message to the Mayor of Nagasaki, India's Prime Minister Mr. Nehru has said that the mighty power of nuclear energy must only be used for peaceful purposes and for improvement of the lot of mankind.

Following is the text of his message:



"On this 11th anniversary of the explosion of atomic bomb over the city of Nagasaki, I wish to reaffirm the resolve of the Government and people of India to seek, in conjunction with other nations, cessation of nuclear explosions which threaten to destroy the heritage of mankind. This mighty power of nuclear energy that has been discovered by man must only be used for peaceful purposes and for improvement of the lot of mankind. The people of Nagasaki were among the first to suffer from this terrible weapon, but their sufferings have helped to disturb the conscience of mankind. I earnestly hope that men and women of goodwill in the world will help to banish the terrible spectre of atomic warfare from the earth."

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Dr. Mookerjee was Governor of West Bengal since November 1951.

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Tributes were paid to Dr. Mookerjee in the Lok Sabha (the Lower House) by the Speaker, Mr. Ananthasayanam Ayyangar, and the Leader of the House, Prime Minister Mr. Nehru.

Mr. Nehru said: "Whether Dr. Mookerjee was Governor of Bengal or Vice-President of the Constituent Assembly, he never lost his character as a simple citizen of India. A man of scholarship, learning and deep humility, he never said a harsh word or lost his temper. He lived unostentatiously and died quietly. He was a great public servant and a fine example of a great Christian."

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# EXTERNAL AFFAIRS.

IMMEDIATE.

CONFIDENTIAL

File No.....

Date..... 15th August, 1956.

8179/56.

**SUBJECT**

SUEZ CANAL CONFERENCE - ROLE OF INDIAN AND U.S.A. DELEGATIONS.

FOR THE ACTING  
SECRETARY, ✓  
THE ASSISTANT SECRETARY,  
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12.30:

Mr. Selwyn Lloyd last night strongly attacked President Nasser for nationalizing the Suez Canal. He said Nasser's action was a clear breach of international law, and he described the Egyptian President as "a military dictator who could denounce an international agreement or imprison British subjects according to his mood". "We have tried hard to promote better relations", Mr. Lloyd said, but now he has committed this act, an act of defiance and deliberate challenge made without regard to the interests of his fellow Arab States or the under-developed countries." He said the strength and prosperity of much of the world depended on the Suez Canal. It was a question of Britain's national livelihood, jobs, standard of living and position in the world. Mr. Lloyd continued: "We must not permit the right of free passage through the Canal to depend upon the transient impulses of a single military dictator. The rule of law must prevail. We are not bellicose, neither the British Government nor the British people. With Britain, force is always the last resort. We shall work with all our power for a peaceful solution, but that solution must include some form of international control for this essential waterway."

Meanwhile, the foreign ministers of the invited countries are continuing to arrive. The latest arrivals in London include the foreign ministers of Russia and Persia. The Persial Foreign Minister said he did not think the absence of Egypt spoilt the chances of the conference succeeding. He added: "Although we respect the sovereignty of Egypt, we attach importance to the free passage of the Canal, which is vital to Persia, because all her imports and exports pass through it. A message from Delhi this morning says it is learned there that Mr. Nehru may attend the London conference himself for two or three days. A number of countries have urged him to attend, to use his good offices, in view of the gravity of the international situation. It is believed also that Sir Anthony Eden and other Commonwealth representatives would welcome Mr. Nehru's personal contribution."

1.30:

The Executive of the Federal Parliamentary Labour Party has just issued a statement on the Suez Canal crisis, criticizing the line taken by Mr. Menzies. It re-affirmed the principle stated by Dr. Evatt that the dispute should have been referred to the United Nations. The statement said Mr. Menzies had betrayed a serious misconception of the nature of the problem. He had failed to understand that the situation between Egypt and the Suez Canal Company, registered in Egypt, was purely local and contractual, and in no way prohibited Egypt from nationalizing the shares of the Company, subject to compensation. International law attached no special sanctity to an agreement entered into by a company merely because its shareholders were persons of sundry nationality. The Labour executive continued: "Mr. Menzies' statement in London on 10th August that Egypt's seizure of the Canal was wrong in every way and must be resisted at all cost is dangerously provocative." The Executive said the only international obligation involved was that the Suez Canal should always be free and open. This obligation was not ended by Egypt's nationalization of the Company. Another error into which Mr. Menzies had fallen was in his slighting reference to the United Nations, the Charter of which required all members to refrain from the use or threat of force. It said the gravest anxiety is felt in many quarters as to the much-publicized military, naval and air movements by the U.K. and France involving carefully organized dispositions of substantial forces in relation to Egypt.

/Normally



Normally, the first action of the Security Council in similar cases is to call upon all parties concerned to halt such movements. The Executive added that a recent financial report of the Canal Company contained startling evidence of huge profits and unduly high charges. Each share of a nominal value of about 5/- had attracted a dividend last year of approximately £9. This was 3600 per cent. The market value of the same 5/- share was £74, representing an accretion in capital value of 29,500 per cent.

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*Mr. Kinnell*  
*on Billington*  
*Fili*  
A.B.C. NEWS - 7.45 a.m., 15th August. *was.*

The proposals Britain is to put before the London conference have been outlined by the Foreign Secretary, Mr. Selwyn Lloyd. He said in a Broadcast that Britain would suggest the establishment of an international authority for the Canal. This authority would take over the operation of the Canal to ensure free navigation through it. It would also see that Egypt got an equitable return from it and would arrange for the payment of fair compensation to the Suez Canal Company. The British view was that the international authority should consist of a council of administration drawn from those powers chiefly interested in the Canal. In all that there would be an important role to be played by Egyptians and the Egyptian Government. Mr. Lloyd referred to the military preparations being taken by Britain. He said they were elementary ~~precautions~~ precautions to safeguard British interests should the need arise. They were not inconsistent with the Charter of the U.N. Mr. Lloyd made his broadcast after a special cabinet meeting attended by Mr. Menzies. Mr. Menzies had been invited by Eden to give the whole Cabinet the benefit of his opinion on the Suez crisis from the Australian point of view. He was also able to tell the Cabinet the opinion he had formed following his talks in Washington. arrival

The latest ~~arrival~~ in London is Mr. Shepilov, who was accompanied by a delegation so big that it took three aircraft to carry them. He said in these times international disputes could be settled only by negotiation guided by principles of justice. That required strict observance of the legitimate rights of people, full equality between States and the establishment of confidence. He would do all possible at the conference to help seek ways leading to a settlement of the dispute. Mr. Dulles left Washington early this morning. He said he believed a formula for a settlement would be found.

A new government crisis is reported to be developing in Indonesia, following the arrest of a former Minister of Information, Mr. Matbur (?) in connection with allegations of corruption. The Deputy Director of the Government printing house, Mr. Lee Tok Hai, has also been arrested. An army spokesman said last night that the Foreign Minister, Mr. Abdulgani, was involved and would have been arrested if he had not left for London to attend the Suez conference. The spokesman said the investigation would be carried on irrespective of persons and would eventually be handed over to the Attorney-General. The matter is in the hands of the Army because Mr. Matbur's arrest was ordered by the Commander of the West Java Military District, including Djakarta which is under a form of martial law because of rebel activity.

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163/4/7/3/3

CONFIDENTIAL

Foreign Office and Whitehall Distribution

EGYPT

August 14, 1956

Section 1

JE 14211/823



**RECORD OF CONVERSATION BETWEEN THE SECRETARY OF  
STATE AND THE PRESIDENT OF THE SUEZ CANAL COMPANY  
ON AUGUST 14, 1956**

I saw M. Charles-Roux, the President of the Suez Canal Company, on August 14.

2. M. Charles-Roux made three main points.

3. The first point concerned the legality of Nasser's nationalisation of the Company. It was most important that Her Majesty's Government and other Governments should not recognise the legality of this act. The original *firmans* of the Company recognised its international position, and the 1888 Convention mentioned the Company in the preamble and various Articles. If Nasser's right to liquidate the Company were admitted, even the 1888 Convention would fall to the ground.

4. M. Charles-Roux then asked that the old Company should be allowed to play some part in the new arrangements. Some continuity was necessary if the experience, the personnel, the plans and the archives of the old Company, which had a great and irreplaceable value were to be put at the disposal of the new management of the Canal. Any other arrangement would impair the facilities available to users.

5. Thirdly, M. Charles-Roux explained the material and moral difficulties of the pilots and other Company personnel who had remained at their posts in Egypt at the wish of the British and French Governments. It was only thanks to them that the Canal was functioning. How much longer should they continue to serve Nasser's Company? Surely the time would come when they should be called out.

6. On M. Charles-Roux's first point I explained that we did not accept the legality of Nasser's nationalisation. The Prime Minister of Australia had set out the legal position very clearly in his broadcast which had been agreed with Her Majesty's Government. I myself would that evening emphasise the same point in my own broadcast. M. Charles-Roux expressed his gratitude.

7. On the second issue, I explained that we could hardly hope to restore the Suez Canal Company to its former position and M. Charles-Roux accepted this. On the other hand, I recognised the great value of what the Company had to offer; and expected that its experienced personnel and other assets could in some way be brought to play a part in whatever new arrangements were made for operating the Canal. M. Charles-Roux hoped that the Company would survive as an entity in some form; but appeared satisfied with my assurances.

8. I explained to M. Charles-Roux the reasons why Her Majesty's Government had felt it undesirable to bring out the pilots and other Company personnel immediately after Nasser nationalised the Company. For one thing, we needed the Canal to function in order to obtain the necessary oil. For the present, I thought the position should remain as it was. We might be able to see more clearly how things were moving when the Conference had been in session for a few days. The question could be discussed with Canal Company officials, perhaps next Monday or Tuesday. M. Charles-Roux thanked me, and said that M. Georges Picot would be available in London for this purpose, though he himself would return to Paris.

9. Finally, M. Charles-Roux said that he would make exactly the same points to the Prime Minister as he had made to me.

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EGYPT  
August 15, 1956  
Section 4

SUEZ CANAL CONFERENCE

*Mr. Selwyn Lloyd to Sir Ivo Mallet (Madrid)*

(No. 143. Confidential)  
Sir,

Foreign Office,  
August 15, 1956.

The Spanish Foreign Minister, Señor Artajo, called on me to-day to discuss the Suez Canal question. He was accompanied by the Spanish Ambassador and the Marquis of Santa Cruz, the Spanish Permanent Under-Secretary of State for Foreign Affairs.

2. I started off the conversation by telling Señor Artajo how pleased I was to see him in London. As he knew, Her Majesty's Government had exerted great efforts to facilitate the re-entry of Spain into the international community. I was happy that Spain was now to take her place in an international conference in London.

3. Turning to the Suez question I said that it was the view of Her Majesty's Government that it would be wrong to leave control over the canal in the hands of a single Government. This would leave all countries at the mercy of one man. Nor could we accept that freedom of navigation of the canal could be adequately safeguarded simply by some statement by the Egyptian Government, or by bilateral agreements between those countries using the canal and Egypt. There must be some form of international control which should include operation of the canal by an international body. This would not involve any loss of sovereignty by Egypt.

4. Señor Artajo agreed that some form of international control was desirable and was not incompatible with Egyptian sovereignty over the canal. There had previously been three guarantees of freedom of navigation through the canal, the Convention itself, the presence of British troops in the canal zone and the Suez Canal Company. Now only the Convention was left. For this reason he felt that the Convention should be the starting point of any discussions which were to take place. These should concentrate on finding some way of bringing the Convention up to date: the system provided for under Article 8 of the Convention might for example be revived and extended. At the same time he hoped that the discussions could take place in a peaceful atmosphere. While he could well understand the alarm which President Nasser's action had caused us, he thought that if those nations attending the Conference felt that there was any danger that the decisions of the Conference might be imposed by force, they too might feel some alarm and it might be more difficult to arrive at a solution.

5. I assured Señor Artajo that Her Majesty's Government wished for a peaceful solution of the problem. We knew too much about war to want it. We hoped to be able to find a solution which Egypt herself would feel ready to accept. All we wanted at present was that the countries attending the Conference should feel ready to agree in principle to the proposals put forward by the Western Powers. This would not involve them in any form of commitment on the implementation of the decisions of the Conference.

6. The Spanish Minister for Foreign Affairs said that it was important to distinguish between freedom of navigation of the canal and the actual exploitation of the canal together with the economic benefits which were to be derived from this. Control over exploitation of the canal had always been Egypt's: although a concession had temporarily been granted to the Suez Canal Company, the rights of operation and the ownership of the canal would in any case have reverted to Egypt shortly. But the Company had also provided certain safeguards of freedom of navigation and something must be found to replace these safeguards. Señor Artajo did not, however, entirely understand why this should necessarily involve a reversion to exploitation by an international body.

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7. I explained, first, that it was not our intention that the old company should be restored. Secondly, we were quite prepared that the new authority should be non-profit-making so that the question of exploitation did not arise. Thirdly, it was our wish that under any new arrangement which might be made Egypt should get her fair share of the dues. But real freedom of transit depended on the way the operating company carried out its duties. The arrangements made for example on the appointment of pilots, the scheduling of the ships through the canal and such questions might make all the difference to whether or not the operations of the shipping companies making use of the canal showed a profit or a loss. It was essential that such matters should be administered with complete impartiality. If they could be controlled by a single Power it might be possible to cause serious interference with the operations of users of the canal without committing any open or obvious violation of the Convention. The technical job of preventing the silting of the canal was also one which was beyond Egypt's capabilities. Finally I thought that it was essential that the financing of the development of the canal should be undertaken on an international scale. For all these reasons I considered it essential that the operation of the canal should be carried out by an international organisation.

8. Señor Artajo said that he did not think that Egypt would ever agree to the operation of the canal by an international body. He felt that the most that Egypt would be prepared to accept would be operation by an Egyptian Company under some kind of supervision by some international body.

9. I am sending copies of this despatch to Her Majesty's Representatives at Cairo, Paris and Washington.

I am, &c.

SELWYN LLOYD.



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JE 14211/825



EGYPT  
August 15, 1956  
Section 5

SUEZ CANAL CONFERENCE

*Mr. Selwyn Lloyd to Mr. McVittie (Lisbon)*

(No. 129. Confidential)  
Sir,

Foreign Office,  
August 15, 1956.

The Portuguese Foreign Minister called on me to-day to discuss questions connected with the forthcoming Suez Conference. He was accompanied by the Portuguese Ambassador.

2. Dr. Cunha asked how I visualised that the conference would develop. If there was a majority vote for international control of the Canal what would be the next step? I said that if this happened, as I hoped it would, the next step would be for an approach to be made to Egypt to ask what she proposed to do in the face of this clear decision by a representative body. If Egypt was not willing to take any action we might have to consider taking economic measures such as ceasing to pay Canal dues to Egypt. If the Egyptians then interfered with our shipping a serious situation would develop. If, however, they accepted the situation, this would mean such loss of face for Nasser that he might well lose office. We should only take military action in the very last resort.

3. Dr. Cunha asked my opinion of the Egyptian suggestion that some other conference should be held, possibly in the framework of the United Nations. I said I thought this was a purely diplomatic move. The United Nations was not a suitable body in the present case. It was too large and it had already failed to take effective action with regard to Egyptian interference with Israeli ships going through the Canal. We considered this matter could best be settled direct between Egypt and the Powers primarily interested. Dr. Cunha agreed.

4. Dr. Cunha then asked what we would do if a majority at the conference came out in favour of allowing Egypt to run the Canal provided certain safeguards could be given such as, for example, some court of appeal. He explained that he was not advocating this. We could count on Portuguese support at the conference but it might be that the decision of the majority was in the sense he had indicated. I said that unless the Canal was under effective international operational control there could be no real freedom of movement through it. There could be no telling when the Egyptians might suddenly decide to interfere, possibly by administrative delay, with certain shipments—for example, Portuguese traffic with Goa. We should go a long way to meet the Egyptian *amour propre* but we could not accept Egyptian operational control. I was confident that the majority of countries at the conference would support us in this. What we needed was an emphatic declaration resulting from the conference with which we could confront the Egyptians. Responsible Egyptian opinion was already worried and an emphatic declaration of this nature might well cause Nasser to change his attitude.

5. Dr. Cunha asked whether I thought the Russians would make difficulties because successor States had not been invited to the conference. I said that Shepilov might complain about this but I did not think that he would protest too strongly. My feeling was that even the Russians might be prepared to accept the setting up of an international body as the result of the conference.

6. In conclusion I made it plain to Dr. Cunha that we could not in any circumstances tolerate Egyptian control of the Canal which was our lifeline. We very much hoped that it would not be necessary to use force but if this ultimately proved the only way, then we should not shrink from taking this step. The time had come when we felt we must make a definite stand. Dr. Cunha assured me of Portugal's support.

I am, &c.  
SELWYN LLOYD.

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EGYPT

August 15, 1956

Section 6

JE 14211/875

CONVERSATION BETWEEN THE SECRETARY OF STATE AND THE  
LIBYAN AMBASSADOR ON AUGUST 15, 1956

*Mr. Selwyn Lloyd to Mr. Graham (Tripoli)*

(No. 108. Confidential)

Foreign Office,  
August 15, 1956.

Sir,

The Libyan Ambassador called on me on the 15th of August in order to communicate a message to me from his Prime Minister: the text of this message is in my telegram No. 315. I asked him to transmit my thanks to Ben Halim.

2. Assayed Muntasser then asked what were the prospects for the Conference, and for the achievement of our policy. I said that the British people did not want war. We were not bellicose. With us force would only be considered as a last resort.

3. The Ambassador said that Nasser seemed to be becoming more reasonable. I said that I much hoped he would see reason. If he were not checked on this issue his ambitions would become boundless and he might well seize Libya next. The Ambassador said that if Nasser was to be reasonable he would need somewhere to retreat. Would we consider a solution under the United Nations possible? I said that various solutions were possible. The important thing was that Nasser should accept some loss of prestige. This was a necessity if we were to preserve any Arab States independent of him.

4. The Ambassador considered that Nasser was now very popular with the middle strata of the population, and in the streets. We agreed that more intelligent and educated Arabs were doubtful about him but feared to express their opinion sincerely in public.

5. Turning to the specific issues at the Conference, I said that we should have to substantiate the statement of the three Powers that the Canal must not remain in the unfettered control of one man. We must also have guarantees that it would be properly operated. But I thought we could agree that the Egyptian flag should fly and that the Egyptians should help to work the Canal. Nasser could not be allowed to win, but we did not expect unconditional surrender. What we must do was administer a severe check.

6. I explained to the Ambassador my instructions to you to inform his Prime Minister that we would not be asking for permission to attack Egypt from Libya. We merely intended to bring our units in that country up to strength as a precautionary measure against what Nasser might do next. The Ambassador said that the important thing was not to attack Egypt directly from Libya. If there was to be fighting our troops could perhaps be moved out of Libya to somewhere else, and what happened after that would not be so much a Libyan concern.

7. The Ambassador asked why Nasser's last statement was more moderate. I said that our information was that privately the Egyptian Government were frightened. Assayed Muntasser remarked that everything depended on the support given him by the Russian Government. When I said that I did not think Russia would help him militarily but only diplomatically, the Ambassador said that in the last resort military support was what counted. I informed the Ambassador that the United States were firmly with us on this issue; which appeared to comfort him.

I am, &c.

SELWYN LLOYD.

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EGYPT  
August 16, 1956  
Section 1

### SUEZ CANAL CONFERENCE

*Mr. Selwyn Lloyd to Sir William Hayter (Moscow)*

(No. 255. Confidential)  
Sir,

Foreign Office,  
August 16, 1956.

The Soviet Foreign Minister paid me his initial call on the morning of the 15th of August, before the opening session of the Suez Conference.

2. Mr. Shepilov began by delivering a message from Mr. Bulganin to the Prime Minister. Mr. Bulganin wished the British Government to know that the international situation had become more complicated as a result of the Suez dispute. But he was firmly convinced that the friendly relations between the United Kingdom and the Soviet Union would continue to develop. The Soviet Government believed that, since Egypt had announced her readiness to ensure freedom of shipping in the Canal, a firm basis for settlement existed. The Soviet Delegation had instructions to do what it could to facilitate a solution.

3. I thanked the Foreign Minister for conveying this message from Mr. Bulganin. I told him that Her Majesty's Government desired an international solution to this problem, and wished to see that solution achieved peacefully by agreement. The Canal could not be left under the unfettered control of one Power, and Her Majesty's Government would not consider it interference with Egyptian sovereignty if, by agreement, she were to confer certain rights on an international body. The powers, constitution and relationship of this body to the Egyptian Government were matters for discussion. What we could not accept as sufficient was a statement by the President of Egypt that he intended to allow freedom of transit. It was unfortunate that Egypt was not represented at the Conference: but perhaps she might join it later.

4. In reply, the Foreign Minister stated that the Soviet Government recognised the vital interest which Britain had in that part of the world. The Soviet Union had no such special interest in the Middle East, but were interested in the maintenance of peace there, and, as signatories of the 1888 Convention, in the freedom of navigation of the Canal. Two aspects of the dispute must be distinguished:—

- (a) The rights of property in the Canal, and, emanating from these, the right of nationalisation. This was an internal matter for the Egyptian State, whose right to nationalise was indisputable and had a firm basis in international law.
- (b) The freedom of navigation.

In the opinion of the Soviet Government the tripartite draft would not lead to a settlement of the problem, and might cause an increase in tension, because it did not recognise this distinction. According to the three Powers, the international body would have unlimited rights to operate the Canal, and would have property rights in it: this attitude was, on a number of points, a step back from agreements already eighty or a hundred years old. A more flexible approach was required to reach a realistic settlement on the freedom of navigation.

5. The Foreign Minister continued that the tendentious approach taken in the organisation of the Conference had made the solution of the dispute more difficult. The Soviet Government had been faced with the problem of deciding whether they should attend a Conference at all which had been called on such a basis. But they had decided to remain true to their principle of peaceful settlement of all issues by negotiation.

6. I said that I would not discuss the legal questions raised by the cancellation of a concession and nationalisation, and I hoped that little time would be spent

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on what had already happened, including the composition of the Conference. I noted what he had said about the Conference. On these matters my views were not the same as the Soviet Union's: but it was not possible to give universal satisfaction however we had constructed it. Her Majesty's Government were however grateful to the Soviet Government for attending, even if they did not agree with the British attitude. Now it was necessary to look to the future and reach an expression of opinion (this was all the Conference was asked to do) which would pay due regard to Egyptian sovereignty and give the Western nations the guarantees of security in the use and maintenance of the Canal which they needed. The Foreign Minister professed agreement with these remarks.

7. I am sending copies of this despatch to Her Majesty's Representatives at Cairo, Washington and Paris.

I am, &c.

SELWYN LLOYD.

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EGYPT  
August 22, 1956  
Section 1

RECORD OF CONVERSATION AT DINNER GIVEN BY GERMAN  
AMBASSADOR ON AUGUST 22, 1956

After dinner there was some discussion of the tactics to be adopted at the meeting of the Suez Conference on August 23. Herr von Brentano was inclined to favour a meeting of the eighteen countries after the Conference in order to nominate the negotiating group. The Secretary of State and Sir H. Caccia argued that it would be much better for this to be done in the full Conference even though it could not, of course, be regarded as a decision of the Conference. Herr von Brentano's advisers were also of this view.

2. The Secretary of State then asked Herr von Brentano what steps he thought should be taken if Nasser refused to accept the Five-Power statement. Herr von Brentano said that he thought it would be a mistake for the eighteen countries to meet to discuss this immediately since this would give the impression that we already discounted the possibility of Nasser accepting the statement. In any case, he thought that the question would have to be handled in a more restricted group than eighteen. The Secretary of State said that he certainly did not have a meeting of the eighteen in mind and it might well be better to deal with this question between the six or seven countries who control the bulk of the shipping using

the Canal. It might not even be necessary for these six countries to meet formally, but it was clearly important that a common policy should be worked out. There were difficult questions to be settled such as the extent to which we should divert ships round the Cape and the possibility of arranging for all dues to be paid into a blocked account outside Egypt. Herr von Brentano agreed that a common policy was essential. He would be very ready to discuss the matter, perhaps on Friday after the Conference was over. He would willingly postpone his return to Germany until Friday afternoon for this purpose.

3. Herr von Brentano later referred to the question of the withdrawal of British forces in Germany. He said that he well understood that in present circumstances it might well be necessary for certain British troops to be moved from Germany. He was, however, most concerned that the German Government should not learn of any decision to this effect from the press. He would far rather that we moved 50,000 troops having warned the German Government in advance than that we should move 5,000 troops and leave the German Government in the position of having to say that they had not been informed.

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EGYPT  
August 17, 1956  
Section 1

RECORD OF A CONVERSATION BETWEEN THE SECRETARY OF STATE  
AND THE NETHERLANDS MINISTER FOR FOREIGN AFFAIRS ON  
AUGUST 15, 1956

Suez Canal Conference

*Mr. Selwyn Lloyd to Sir Paul Mason (The Hague)*

(No. 186. Secret)  
Sir,

Foreign Office,  
August 17, 1956.

The Netherlands Minister for Foreign Affairs, M. Luns, called on me on the 15th of August accompanied by the Netherlands Ambassador.

2. M. Luns said his Government shared the anxiety of Her Majesty's Government about the Suez Canal. They hoped for a solution which would not enhance Nasser's prestige, *i.e.*, one of international control which would keep the Canal open to all nations.

3. I said that Mr. Dulles would probably move the proposal for the establishment of an international authority for the Suez Canal (Foreign Office telegram No. 390 to Addis Ababa) which M. Luns would have seen by now. It was hoped that this would receive a satisfactory majority. But Nasser would reject it. What then? At present Nasser was getting 35 per cent. of the Canal's revenues. We should like to arrange that he would then get none. This would require the co-operation of the Americans who were the biggest payers of dues direct to the Egyptians. What would be the attitude of the Netherlands who were the biggest payers after the United States and the United Kingdom?

4. M. Luns said the two main Netherlands' shipping companies had deposits in Egypt from which dues were paid. These deposits would only last until the 28th of August. Most of the rest of Netherlands' shipping paid in London. The Netherlands Government were agreed that the deposits in Egypt could not be retrieved. For other payments they were thinking of establishing "special accounts somewhere."

5. I said that for their part Her Majesty's Government thought it was essential that Nasser should lose prestige. The way to achieve that, short of war, was to see that he was paid absolutely nothing. I added that if he then stopped our ships, we would secure their passage by force.

6. M. Luns then turned to the question of the Indonesian Government's repudiation of their debts to the Netherlands. He said his Government were grateful for what the United Kingdom had done so far. It was more than the Americans had done, but, as perhaps I would agree, it did not amount to much. He would not like to raise this question at the Suez Conference, but his Government were under strong domestic pressure to get concrete support from their friends. He would understand if I said it would be very hard to take sanctions. But would the Three Powers responsible for convening the Suez Conference be willing to address a joint Note to the Indonesians saying that they viewed their action with grave concern?

7. I said that we had much sympathy with the Netherlands Government, and we should do what we could. But I thought a public statement would probably do more harm than good. And the timing of any move would require very careful consideration.

8. M. Luns asked whether representations could be made in Djakarta if a public protest was thought inadvisable.

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9. I asked whether such a move could not wait until after the Conference. M. Luns said that he recognised that timing was a difficulty and suggested that this point could be considered, and perhaps discussed again. He thought it important that the Three Powers should act jointly or similarly, and that any representations should not be simply oral but at least accompanied by an *Aide-Mémoire*.

10. I undertook to see that a private protest was made in Djakarta, but I did not enter into any commitment as to its timing or the form it would take.

11. I asked what exactly had the Indonesian Government done. M. Luns said that they had simply repudiated their debts to the Netherlands. Moreover, they had reassessed the damages which they alleged they had suffered from the Netherlands, and there was a serious danger that sooner or later they would use this as a pretext to confiscate assets of Netherlands shipping lines in Indonesia.

12. M. Luns said that he was very concerned by the attitude of the United States Government to the Indonesians. Mr. Dulles had gone to Djakarta three days after the Indonesians had repudiated the Round Table Conference Agreement, praised their leaders, and invited them to the United States. And now of all the Governments invited to the Suez Conference the Indonesians were the only ones to receive a personal message from President Eisenhower urging acceptance. Moreover, President Eisenhower's public comment on the repudiation of the debts had been very unsatisfactory. Altogether, Dutch relations with the United States had not improved in the last month.

13. I asked if M. Luns would be speaking to Mr. Dulles about this, and he said that he would. M. Luns also implored me to tell Mr. Dulles that the Dutch were very worried, and I undertook to have a word with him.

14. I am sending copies of this despatch to Her Majesty's Representatives at Washington, Cairo and Djakarta.

I am, &c.

SELWYN LLOYD.



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JE 14211/747

EGYPT  
August 13, 1956  
Section 1

IRAN: ATTITUDE TO SUEZ CANAL QUESTION

*Sir Roger Stevens to Mr. Selwyn Lloyd. (Received August 13)*

(No. 83. Confidential) *Tehran,*  
Sir, *August 7, 1956.*

I have the honour to submit a few first impressions of the Iranian attitude to Colonel Nasser's action *vis-à-vis* the Suez Canal Company.

2. There is a clear distinction between the emotional reaction of most Iranians and their considered judgment. Emotionally they are stimulated and, in many cases, pleased by the idea of nationalisation. It appears to them to be another blow in the fight against colonialism, another step in the liberation of the Middle Eastern countries from the tutelage of the Great Powers. It reminds them vividly of their own nationalisation four and a half years ago, of the Iranian oil industry and the Abadan refinery. For this reason their immediate instinct is to cheer and beat the nationalist drum.

3. This sort of response is shown by an article in *Kayhan*, the daily newspaper with the second largest circulation in Tehran. I attach a copy of a translation of the article. This was written without guidance from the authorities by Faramarzi, a disgruntled ex-deputy who frequently echoes the thoughts of Iranian "intellectuals" in his writing. *Kayhan* did not maintain this viewpoint for long. Faramarzi's article appeared on August 2. In the very next number of *Kayhan* (August 4) it was followed by another adopting a diametrically opposite view, presumably written after the considered reaction of the Iranian authorities had become known and our own arguments had begun to take effect. A (French) translation of this second article is also attached. My third enclosure is from the English language *Tehran Journal* of August 5; this article is a translation from the important daily *Ettela'at* which normally stays very close to authority. It is worth recording that a few days earlier *Ettela'at* had been making much of apparent divergencies of opinion between the Americans and ourselves. Mr. Dulles' visit to London and the

Tripartite statement came just in time to check this dangerous tendency.

4. A further interesting sidelight on the emotional reaction emerges from an interview between the United States Ambassador, Mr. Chapin, and the Iranian Foreign Minister, Dr. Ardalan, on the 4th of August. Mr. Chapin was carrying out his instructions to present the Western case to the Iranian Government and to urge acceptance of the invitation to the London Conference. Dr. Ardalan replied that Iran would certainly accept the invitation but might wish to add a rider to its letter of acceptance saying that it approved of the nationalisation of the Canal. I am glad to say that Mr. Chapin gave no encouragement to this idea and in the event the Iranian reply was couched in innocuous if over-cautious terms.

5. The only qualification of the emotional reaction to Colonel Nasser's action is the hope that it will not be completely successful. This is a sort of sour grapes. From the Iranian point of view the nationalisation of the oil industry was not a complete success because they were unable to run it themselves—indeed, it ground gradually to a stop; and they had to call in the Consortium to get it going again and to run it for them. It would be a blow to their self-respect if Colonel Nasser got away successfully with the nationalisation of the Suez Canal when they had partly failed with the nationalisation of the oil industry.

6. The considered judgment of responsible Iranians is in complete contrast with the emotional reaction. They see it as a deadly threat to their trade and, in particular, to their oil exports which are the life blood of their economic development and the hoped-for improvement in their standard of living. They realise that having no pipeline they are more dependent on the Canal than any other oil-producing State in the Middle East. The Shah, in particular, and others, fear too that if Colonel Nasser is successful in what he is attempting he will

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gain a great ascendancy in the Middle East, particularly in Arab countries, which they fear will lead to the disintegration of the Bagdad Pact. Iranians tend to despise their Arab neighbours, and many dislike and mistrust Colonel Nasser and the revolutionary, anti-monarchical régime which he leads. It is considerations of this kind which have caused Iran to accept the invitation to the London Conference and which will, I hope, with a little persuasion, cause them to support proposals for international control of the Canal, such as those contained in your telegram No. 390 to Addis Ababa. But it will have to be constantly impressed upon them that unfettered Egyptian control of the Canal really does constitute a threat to their economy, whatever Colonel Nasser may say and however reasonable he may appear. To judge from a recent conversation of mine with the Foreign Minister, they will also want to see their way clearly towards reconciling international control of the Canal with recognition of the act of nationalising the Suez Canal Company. They will be anxious to find some face-saving device (similar to that applied in their own case) to cover the latter, not out of any love for Colonel Nasser but simply in order to justify their attitude to their own nationalists (including the recently released Dr. Musaddeq). They are also impressed by the strength of nationalist feeling in Egypt, quite apart from Colonel Nasser, and will probably voice the view that to flout this sentiment completely will only strengthen Colonel Nasser's hand and create fresh troubles for those who intend to secure freedom of navigation through the Canal. If, therefore, we are to carry Iran with us, I think that this reconciliation of opposites will somehow have to be effected.

7. There are also a number of matters about which they are very apprehensive. The questions which one hears on all sides are: Will the USSR attend the conference? Will India accept? What will Egypt do? What will Her Majesty's Government do if Egypt refuses the invitation and defies the countries favouring international control? Will Her Majesty's Government resort to force and if so will the USSR come to the military aid of Egypt? I have stressed that Her Majesty's Government will do their utmost to find a peaceful solution; we intend that the demonstration at the London Conference of the weight of international opinion in favour of international control

of the Canal should force Egypt to accept an international solution. I have not failed to emphasise the unity of all British political parties in respect of the Suez Canal and the intensity of feeling which Colonel Nasser's action has aroused. I have made it clear that in the last resort Her Majesty's Government will be firm and will not accept what Colonel Nasser has done.

8. Several Iranians have expressed the hope that we would not resort to force without first going to the United Nations. This reflects their respect for the United Nations and a vague muddled hope that if the question were taken to the United Nations it would not be necessary to use force. If it does prove necessary, I would expect that the Iranian reaction would be highly nervous, disturbed and disapproving. I would not expect them to give any support, moral or material, even though they might have endorsed the proposals of the London Conference for an international solution and even though the use of force was to give effect to those proposals. On the other hand, if the use of force produced prompt and effective results, they would be greatly impressed. In short they are frightened but will follow a firm lead and successful action. Whether the Shah, when he returns from the flood areas, will instil a bolder spirit into his Ministers remains to be seen. I shall do my best with him.

9. I am sending copies of this despatch to Her Majesty's Ambassadors at Ankara, Bagdad, Cairo, Paris and Washington, to the United Kingdom High Commissioner in Karachi and to the Political Adviser to the Middle East Forces.

I have, &c.

R. B. STEVENS.

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Enclosure 1

*Extract from an article in "Kayhan" of August 2*

The West does not appear to have understood that the peoples of the East have already become courageous. Whether Nasser finally wins or loses, the Suez Canal is liberated. The Egyptian nation has to submit to the foreigner no longer. It was not really Nasser who brought about the evacuation and then nationalisation of the Suez Canal; it was the will of the nation



that did so. Nasser and his like are simply instruments of the nation's will; they act to fulfil their people's wishes.

Suppose that the three Big Powers take the Suez Canal and expel Nasser from Egypt, what then? Will the Egyptian nation do nothing? Or will the Big Powers restrain it by military force? If they could do so, why did they not do so before?

Everybody knows that the Egyptian Government had the right to nationalise a company which had been registered in Egypt as an Egyptian company. This is the same thing as the British Government itself did six or seven years ago when it nationalised all mines and factories.

Shareholders are entitled to their investments. And the Egyptian Government says that it will pay them in full. The Canal is to be open for all ships, and Nasser says that he will keep it open. Neither the United States, nor the United Kingdom nor France, &c., sustain any loss by that. Only the shareholders lose, who earned millions of dollars every year and now cannot. Great Powers are not to be influenced by them to draw the world into war.

I do not know why the Great Powers became unreasonably excited and refused to help Nasser build the Aswan Dam, thus compelling him to take such a decision.

In any case we hope the world is not willing to make war, and that the Great Powers do not intend to try their strength against the weakness of the East. Better to accept Nasser's word that he will guarantee the compensation of foreign shareholders as well as the freedom of traffic in the Canal.

#### Enclosure 2

*French translation of article in "Kayhan" of August 4, 1956*

Les conversations de Londres auxquelles les représentants des puissances occidentales ont participé indiquent que le Royaume-Uni, la France et les Etats-Unis ont adopté une attitude plus ferme à l'égard de la question du Canal de Suez. On s'attendait, d'ailleurs, à cette attitude, car il était évident que les puissances occidentales résisteraient énergiquement devant les mesures prises par l'Egypte et ne permettraient pas que le gouvernement du Colonel Nasser contrôle et administre seul le Canal de Suez, ce qui entraînerait un affaiblissement de la position occidentale dans le Moyen-Orient.

Si le gouvernement égyptien parvenait à ses fins et obtenait l'administration du Canal de Suez sans la participation des puissances occidentales, son succès aurait un profond retentissement dans le monde arabe et dans le Moyen-Orient. Il porterait sérieusement atteinte au pacte de Bagdad et pourrait même provoquer une séparation de l'Irak de ce pacte, entraînant des troubles à l'intérieur de l'Irak.

La décision de l'Egypte ne serait pas non plus sans jouer un rôle sur la position de l'Iran. L'Iran est intéressé dans l'avenir du Canal de Suez, car il est le seul pays pétrolier du Moyen-Orient qui ne peut pas exporter sa production par des pipe-lines, jusqu'à la Méditerranée. En conséquence, l'Iran est obligé d'exporter son pétrole par tankers par le Canal de Suez et de les acheminer ensuite vers les marchés d'Europe Occidentale.

C'est la raison pour laquelle l'Iran est considéré comme "un gouvernement intéressé," et a été invité à participer à la conférence des 24 qui doit s'ouvrir le 16 août à Londres. L'Iran désire que le Canal de Suez reste ouvert et que les bateaux de commerce, particulièrement les tankers, puissent traverser cette voie d'eau internationale. En effet, au cas où le Canal de Suez serait fermé, l'exportation de pétrole iranien en souffrirait, ainsi que les ressources provenant de cette exportation. Les produits pétroliers iraniens ne pourraient plus parvenir sur les marchés européens à temps et à bon marché. Les tankers seraient obligés de tourner l'Afrique du Sud entraînant des retards dans les livraisons et des hausses de prix sur les marchés étrangers.

Il est évident que les besoins en pétrole d'Europe Occidentale pourraient être assurés par les Etats-Unis, mais les pays européens n'ont pas tellement de réserves en dollars qu'ils puissent acheter exclusivement du pétrole américain. Quoi qu'il en soit, une telle décision diminuerait les exportations de pétrole iranien. L'activité dans notre pays est étroitement liée à nos revenus du pétrole, surtout en ce qui concerne le développement économique de l'Iran. L'Iran a donc toutes les raisons de se prononcer en faveur d'un statut permettant la liberté du transit des pétroliers conformément aux conditions actuelles. Il est évident que l'Iran, en tant qu'associé des puissances occidentales, désire que l'administration du Canal de Suez soit digne de confiance et que le passage des bateaux se fasse sans aucune difficulté.

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## Enclosure 3

Copy of article in "The Tehran Journal"  
of Sunday, August 5  
(Reprinted from "Ettela'at")

## THE SUEZ CANAL

A century ago the thought occurred that connecting the Mediterranean and the Red Seas could contribute tremendously to world trade and when the plan was drawn up and the 105-mile canal between Port Said and Suez dug, trade between East and West flourished.

The importance of the Suez Canal cannot be minimised. During the Second World War it played an important part in smashing Nazism, and since then the Canal has lost none of the significance it holds as an international waterway.

Such waterways, which affect trade of all five continents, should not be used as pawns in political games. They must be kept free from all interference and in times of peace, when an average of 15,000 ships pass through it annually, it should be considered an internationally-owned waterway.

Though the Canal was dug through Egyptian territory, it belongs to the entire world. The lives of all peoples will be affected by interference in the operations of the Suez Canal. The smallest incident on this waterway will affect almost every country, and it is the duty of all nations to keep an eye on recent developments and make sure that the situation does not deteriorate.

Egypt's nationalisation of the waterway has placed a damper on international trade. As an interested party, Iran cannot sit back and let matters proceed at their present rate without expressing her resentment at this action.

As we have pointed out, the issue affects each and every country of the world in one way or another. No nation can prosper to-day without foreign trade and no foreign trade can flourish unless key passages such as the Suez are free. The Suez Canal is, indisputably, an international waterway, and no single nation has the right to claim ownership.

As one of the large oil-producing countries of the world, whose products pass through the Canal in large volumes, Iran must take whatever step is considered necessary for preserving peace in the area.

Iran's contribution to the Free World must have free access through any inter-

national channel and an interruption, even for a short time, in the flow of oil, cotton, and other products of Iran through the Suez Canal can hurt our economy very much.

We call on the Government and on our Foreign Ministry to formulate an immediate policy in regard to the recent developments at Suez. Free passage through the waterway affects our own position. We do not care to enter the dispute and to argue whether the action was legitimate or not. We do, however, insist that our rights be preserved and that world trade be freed from the type of hot-headed action such as this.

Iran and Egypt have their own differences, which have no relation to the Suez Canal. In discussing our position on this issue we should also take note of the recent attitude of Egyptian leaders towards us. Whereas we have pursued a policy of non-interference in the affairs of others, we have come to realise that this policy has not been reciprocated.

Egyptian leaders and the Egyptian press have assumed that they have a right to discuss our domestic affairs and express their opinions on what they think we should do. In most cases, moreover, they have based their statements on incorrect information which has often been their own invention. The Egyptian press, in particular, has never missed an opportunity in printing outright lies about our country.

Though the accusation may come out that the Suez issue is an internal affair of Egypt, we feel that this point must be made clear right now. The Suez Canal has been recognised by all nations, including Egypt, as an international waterway. As such, it is not the property of any one nation and cannot, therefore, be seized on any pretext.

How can Iran sit back and do nothing in this respect? Can any nation whose economy depends on the passageway fail to take action in defence of its rights?

Can we remain neutral and pretend that nothing is going on in the Suez Canal Zone? Can we deny that we are directly affected by the issue and can we leave the other interested countries to carry the entire burden of preserving the rights of the Free World?

Iran must, at every opportunity, insist on the freedom of passage through this waterway. Our business men and our country as a whole will suffer if the Canal is subjected to any interference.



SECRET

Foreign Office and Whitehall Distribution

JE 14211/1163

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EGYPT  
August 27, 1956  
Section 1

RECORD OF CONVERSATION BETWEEN THE SECRETARY OF  
STATE AND MR. LOY HENDERSON AT 4 P.M. ON MONDAY,  
AUGUST 27, 1956

Present:

Secretary of State  
Mr. Beeley  
Mr. Watson

Mr. Henderson  
Mr. Evan Wilson

*Mr. Henderson* said that he did not expect an answer from Nasser by Friday, as *Mr. Menzies* hoped. The difficult question was to know how far the process of explaining the 18-Power statement to Nasser should go. When *the Secretary of State* asked what would be the Committee's line if Nasser said that he was prepared to discuss on some other basis, such as the Indian resolution, *Mr. Henderson* said that that was clearly outside the Committee's terms of reference. He asked for the Secretary of State's views on the objectives of the Commission.

*The Secretary of State* said that he wanted a quick answer, and that he hoped they would be able to say that broadly the terms of the 18 Powers were agreed as a basis for discussion. He also thought that it was important for the Committee to obtain a clear cut answer from Nasser, and if possible to give their opinion on his answer. The Committee were more than messenger boys. *Mr. Henderson* agreed. He said that the Committee would have to explain, for instance, what was meant by the responsibility of the Board in the 18-Power proposals. He was afraid to answer such detailed questions. If the Committee chose words other than those in the statement, they might not be interpreting the views of all the principals. *The Secretary of State* said that *Mr. Dulles* had thought the essential right of the Board must be that of hiring and firing. He himself thought financial policy—that is, the money from the Canal dues—must be under the Boards' control. Otherwise he thought that Egypt's share in carrying out various

administrative and other duties could be quite high. *Mr. Henderson* asked whether wage increases, for instance, should be financed out of the profits otherwise due to Egypt, or by means of raising the dues. Presumably the Arbitration Commission would play a very great role. *Mr. Beeley* said that the Arbitration Commission should not usurp the functions of the Board by deciding too many questions. Principles for the guidance of the Board could be laid down in the Convention. *Mr. Henderson* said that this might be so. But he would not wish to appear to be limiting Egypt's authority too much in these discussions. Nasser might later publish them as a justification for himself and proof of Western intransigence.

*The Secretary of State* said that there were three possible forms of payment to Egypt: a rental; a proportion of the dues; and a share of the profits. He would rather like the last element to enter into the scheme. *Mr. Henderson* agreed. Although the new management of the Canal was to be non profit-making, except for Egypt, he thought that we should be wise to bring in the profit motive, especially in cases where increased expenditure on labour was involved. *The Secretary of State* said that Egypt must not get too much, otherwise we should have everybody nationalising. But he favoured giving her rather more than before, as a sweetener to get the Board through. *Mr. Henderson* agreed that this should be tried. But he was not optimistic. *The Secretary of State* agreed; and said that *Mr. Dulles* had been adamant on an international operating agency which would

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ensure the confidence of international employees and of international capital. *Mr. Henderson* said he had been talking to American Oil Company men. They thought that if Egypt was left with power to discriminate against shipping or raise dues at will, they would prefer to make arrangements to ship their oil by other means. *The Secretary of State* thought that this might have an effect on Nasser.

*Mr. Henderson* said he had also been talking to Mr. Birla of India; who would like to see international control, and was gloomy about the prospects. *Mr. Henderson* had told him that the Indian proposals were quite unacceptable. An Advisory Board was not enough. *The Secretary of State* said that an Advisory Board would be all right if its advice was compulsory. There were three matters on which international advice must be accepted: dues, development, and key personnel. Even the Russians, and according to Mr. Menon

even Nasser, accepted international supervision of the dues. Free navigation would be assured under the new Convention. *Mr. Henderson* agreed. He said it was important not to tinker with the 1888 Convention, merely to add to it.

*Mr. Henderson* asked whether the Board could raise capital sums, and would have the right to issue bonds; and also whether membership of it would be a full-time occupation. *The Secretary of State* agreed that it should be able to issue bonds. *Mr. Beeley* explained the wider meaning of the term "Board": it might include several organs. There was a French paper on the subject setting this out in some detail. There had also been extensive tripartite discussion at official level on this subject. *Mr. Henderson* agreed to look up those records, and said he would study—as he had not yet had time to do—the minutes of the meetings between the Secretary of State, Mr. Dulles and M. Pineau.



CONFIDENTIAL

Foreign Office and Whitehall Distribution

JE 14211/1333

EGYPT

September 5, 1956

Section 1

## SUEZ CANAL: EGYPTIAN MOTIVES

*Sir Humphrey Trevelyan to Mr. Selwyn Lloyd. (Received September 5)*

(No. 136. Confidential)      *Cairo,*  
 Sir,      *September 1, 1956.*

It is unlikely that we shall ever be able to trace definitely the mental processes leading up to Colonel Nasser's decision to nationalise the Suez Canal Company. We shall probably get more evidence from time to time, but it is highly improbable that it will be reliable. It is of some interest at this stage to consider the evidence which we already have.

2. The special position enjoyed by the Suez Canal Company had long rendered it a natural target for nationalist agitation. The singular character of the enterprise itself, its evident wealth, the corpus of privilege and acquired rights which it enjoyed, the manner of life in Egypt of its closed community of foreign employees, and the evident disparity between the return received from its operations by its shareholders and by the Egyptian Government, were all calculated to excite the envy and prick the sensibilities of Egyptian nationalists. This was the burden of a now notorious book by Mr. Moustapha el-Hefnawi, a young lawyer in touch with the Free Officers, who compiled a record of the alleged iniquities of the company and who has now been rewarded by a seat on the first board. Disputes between the Egyptian Government and the company were no novelty. They occurred frequently before the revolution, but at that time the company was generally able, in negotiation with successive Ministers of Commerce, to get its way at a price. It was natural that, with the coming of the revolution, the Egyptian Government's attitude should be visibly stiffened. There is no doubt that from the early days of the revolution its leaders had in mind the desirability from their point of view of getting rid of the company as soon as possible, but the evidence does not show conclusively that this aim was translated at that time into a definite decision to nationalise the company before the end of the concession. At his press conference on the 12th of August,

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1956, Colonel Nasser said that they had thought about the Suez Canal Company "more than two and a half years ago," i.e., well before the signature of the Anglo-Egyptian Agreement on the Suez Base, and my Pakistani colleague informs me that what Nasser said to the Pakistani Minister for Foreign Affairs when passing through Cairo before the London Conference was in virtually the same words. On the 17th of November, 1954, Colonel Nasser announced that preparations had already begun so that Egypt would be in a position to take over the administration of the Canal when the concession expired, emphasising the friendly relations between the Egyptian Government and the management of the company and expressing confidence that "the company would continue their assistance so that the remaining period might pass in the best possible manner." In the same passage, however, he referred to the usurpation of Egyptian rights in the Canal and its exploitation by the imperialists as pretexts for the continuation of the occupation.

3. During practically the whole of 1955 the subject was dropped. Towards the end of the year, however, the Egyptian Government adopted new tactics of sapping at the company in order to increase Egyptian participation in management and operation to the greatest possible extent and to get as much money out of the company as possible. The demand was made for investment of all the company's reserves in Egypt, for the construction of a harbour at Lake Timsah, for the nomination of all Egyptian directors by the Egyptian Government, and for Egyptian participation in the Comité de Direction. At the same time visas were refused to a number of foreign pilots and determined attempts were made to lower the standards of pilots' qualifications in order to provide posts for Egyptians. Looking back one might surmise that the Egyptians had in mind that getting control of the reserves and Egyptianising the pilots' service was a desirable preliminary to nationalisation.



But there was no reason at the time to assume that they had in mind more than the immediate aims of Egyptianisation and extraction of foreign exchange, desirable in themselves from the Egyptian point of view, apart altogether from nationalisation. These negotiations ended in the Agreement of June 1956 by which a sum of more than £20 million was to be invested by the company in Egypt in return for continued exemption until the end of the concession from the Exchange Control Law, which would enable Canal dues to continue to be paid in London and Paris. The demand for the construction of a harbour in Lake Timsah was not pursued seriously, and the other issues had not yet come to a head by the date of nationalisation. During these negotiations there was a battle over the legal position of the company. The Egyptians were anxious, as in previous negotiations with the company, to exhibit its total subservience to Egyptian law, while the company maintained its old position that it had a *régime spécial* and that its position under Egyptian law must be simultaneously regulated by an agreement between the Government and itself. The company's position was at least partially conceded by the Egyptian Government by an agreement being made between the Government and the company in the form of an exchange of letters. No sooner was this agreement signed than the Minister of Commerce proposed that Her Majesty's Government should conspire with the Egyptian Government to get round it by arranging for the dues of British ships to be paid in Egypt into a blocked account to be used only for payment of imports from the United Kingdom. During the whole course of these negotiations the attitude of the Ministers in charge and the attempt to get round the agreement immediately afterwards support the thesis that no immediate nationalisation of the Canal was then contemplated or at least known to the Ministers in charge of the negotiations. If it had been, the obvious course would have been to manoeuvre for a breakdown of the negotiations and to use alleged intransigence of the company as an added reason for the act of nationalisation.

4. By the end of 1955 it became clear that very large investments would be needed for the enlargement of the Canal, in order to make it fit for the great increase in tanker traffic which was to be expected during the next few years. Some American oil companies were already in touch with the

Egyptian Government, and the Egyptians had general preliminary discussions on the question with the president of the International Bank. It appeared at this time that they were thinking on sensible lines. On the 15th of February, 1956, the Minister for Foreign Affairs summoned myself and my French and American colleagues in order to give us a general preliminary view on the question of the enlargement of the Canal. He referred to the conversations with the oil companies and the president of the International Bank, and said that he believed that an enlarged Canal could be an occasion for further co-operation between the Egyptian Government and the Western Powers, and would be a further link binding Egypt to the West. He said that, though some of the users wished the Egyptian Government to undertake the works of enlargement as soon as possible, they would, of course, do nothing which in any way would contravene the rights of the company or the proper functioning of the Canal. I asked him whether they had any firm ideas about the future of the Canal after the end of the concession in 1968, and emphasised the importance of maintaining the goodwill of this most valuable asset, which depended upon international confidence, referring to the danger that that confidence would be diminished as a result of the continued pressure by the Egyptian Government on the company in recent months. The Minister said that they had every intention of maintaining the efficiency of the Canal at the highest standard and that they intended to maintain good relations with the company. All this was part of the prelude to your visit and perhaps relatively genuine. At about the same time, M. Charles-Roux insisted, in the face of general scepticism, that the Minister had twice told him that the Egyptians were contemplating the possibility of an extension of the concession, a statement which the Minister now strongly denies having made and which at the time seemed to be due to M. Charles-Roux's wishful interpretation of one of Dr. Fawzi's characteristically oblique remarks.

5. From the 25th of March to about the same date in May 1956, there was a press war between Egypt and the United Kingdom, with the Egyptian press avowedly directed by Colonel Nasser to attack Her Majesty's Government. This was a time when Colonel Nasser's perpetual suspicions were greatly intensified, and it seems likely that they were at this time also directed towards our intentions over the Canal. On



the 7th of May the Minister of State made the following statement in the House of Commons: "I am, of course, aware of the importance of making satisfactory arrangements for the future of the Canal when the concession expires in 1968. Before then we shall certainly want to talk to the Egyptian Government, but the first step is to obtain some idea of the physical and commercial nature of the problem which is likely to exist by then. The Suez Canal Company, with the encouragement of the British directors on the Committee of Direction, is now undertaking careful study of this problem." This statement was made in answer to a question by Mr. Peyton suggesting that Colonel Nasser's conduct gave nobody any grounds for confidence in him as custodian of an international waterway, and that Her Majesty's Government would be well advised now to raise this matter with the United States Government and others interested in Western Europe in order that the future of the Canal might be satisfactorily settled at an early date. These exchanges gave rise to a strong reaction by Colonel Anwar el Sadat in the semi-official newspaper *Al Gomhouria*. Colonel Sadat was in the main answering Mr. Peyton. He asserted that the Canal was an integral part of Egypt, and that Egypt would not allow the Canal to "provide a gap threatening the sovereignty and independence of the country." On the 15th of May Mr. Peyton proposed the adjournment of the House on the Canal question reiterating the need for its effective international control, saying that it was an intolerable situation that either now or in the future the body in control of the Canal should fall entirely under the hand of Egypt, and suggesting that the problem of the future use of the Canal should be dealt with at once. On the 26th of May, Colonel Nasser, presumably under the impact of these parliamentary exchanges, informed the American journalist, Mr. von Weygand, that the "Suez Canal would become Egyptian property after twelve years and Britain was trying to stop this." About this time Mr. Burhan Said, the Egyptian Government representative with the Canal Company, forecast to the company's management in Cairo that some action would be taken in June which would affect the company, though I doubt if he was forecasting anything so drastic as nationalisation.

6. On the 30th of July Colonel Nasser told my American colleague that he had discussed the question with Ahmed Hussein,

the Egyptian Ambassador in Washington, at Alexandria in early July before he went to Brioni and before Ahmed Hussein returned to Washington. According to Nasser's account, he had said that he was by then convinced that the West would not give any aid for the High Dam and that, if they withdrew their offers, he would nationalise the Canal. Ahmed Hussein had attempted to dissuade him and he had said "Keep your nerve and it will turn out all right." We also know that at about this time the Egyptians were preparing "staff studies" of the effects of nationalisation. It was noticeable, however, that they did not call back for consultation Dr. Bahgat Badawi, the Egyptian Government director on the Suez Canal Company Board and the first chairman of the board of the Suez Canal Authority after nationalisation, who was in Geneva at the time engaged in an arbitration and who would have been the most competent person to advise on the legal and administrative aspects of nationalisation. Colonel Nasser gave no hint of his intentions to Nehru and Tito at Brioni, and has since told the Indians that he only made the decision on the 21st of July after Nehru had left. The Indians naturally wish to believe that he hardly had it in mind before this date, since they do not like to contemplate that he was implicitly deceiving Nehru during their conversations at Brioni and subsequently at Cairo. The embroidered account by Mohamed Hassanein Heykal in *Akher Sa'a* of the 15th of August, 1956, does not in my opinion add any evidence of value. It is designed to show that Nasser is the statesman with the master plan countering the dark designs of the imperialists, rather than the irresponsible dictator lashing out in a tantrum. But whatever Heykal's exact thesis, he is not a source on whom one can rely for anything approaching an objective account of the facts. I have myself little doubt that the decision was effectively taken before Nehru left. At the airport at the time of his departure the Minister of the Interior told me that they were not so worried at the withdrawal of the offer, as they would find other means to finance the Dam. It was the manner of the withdrawal which upset them, since it appeared to conceal some other purpose directed against them.

7. Some tentative conclusions may perhaps be drawn from this evidence, subject to the possible need for later correction. Nationalisation of the Canal has never been a prominent plank in the

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revolution's programme, though there is no reason to doubt Nasser's assertion that they had been thinking of it as a vague possibility during the last two or three years. They were going to get it anyway. They certainly could not nationalise it before the British troops left, and meanwhile they were trying to get all the advantages they could out of the company on the assumption that it would remain until 1968, and to make quite sure that they would be in a position to run the Canal properly without interference at the end of the concession. Colonel Nasser's suspicions were almost certainly aroused by the exchanges on the subject in the House of Commons, and he may well have begun to think more seriously about nationalisation at this time, both as a result of these suspicions and in the context of the deteriorating relations between the Egyptian Government and the West. But it appears fairly certain that he would not have nationalised the Canal if the offers for the High Dam had been maintained, since the High Dam is a point of immense prestige with the revolution, and he must have known that nationalisation of the Canal would immediately lead to a cancellation of the Western offers. It is likely therefore that the adoption of nationalisation as an immediate practical policy may have begun a month or two before the act, at a time when Colonel Nasser began to be fairly certain that the Western offers for the High Dam would not be maintained and that for various reasons a recourse to the Russians was not an acceptable alternative. I believe that up to the very end he could have taken only a very few of his intimates into his confidence and that this number can have

included few, if any, of the civilian Ministers. Colonel Nasser's reaction to the withdrawal of the High Dam offer was significantly exhibited in two stages. At first, in his speech at Mosterod, he hit back at the Americans. Then, in his speech at Alexandria, he concentrated upon the British and French and worked up to the announcement of nationalisation, the already prepared retaliation for the withdrawal of the Western offers.

8. It would thus be probably equally wrong to say either that there was a definite and fixed policy to nationalise decided a long time previously or that this was a decision made on the spur of the moment in retaliation for Mr. Dulles' statement. It was something in between the two. Nationalisation had certainly been considered as at least a possibility, was perhaps shelved for some time, and was brought out again for serious consideration in the new political relations developing in the spring of 1956. We have never had any illusions about the importance to Nasser of the High Dam as a symbol of revolutionary purpose and achievement, nor about the risks which he would be prepared to take in order to achieve this aim. The risk he took was far greater than he had calculated, and the act of nationalisation is not likely to get him much further towards the construction of the Dam.

9. I am sending a copy of this despatch to Her Majesty's Ambassadors in Washington and Paris, and to the Political Officer with the Middle East Forces in Nicosia.

I have, &c.

HUMPHREY TREVELYAN.



DEPARTMENT OF EXTERNAL AFFAIRS.  
**OUTWARD CABLEGRAM.**

163/4/7/3.  
**SECRET**

OA:HMCC

O.11073

Sent: 14th August, 1956.  
1730

TO:-

Australian High Commission,  
L O N D O N.

1857. SECRET.

For Woodrow from Treasury.

Your 2175.

Advice has been received from United Kingdom High Commissioner's Office along lines mentioned your 2175 and it is now clear payment not being made out of Egyptian sterling accounts for new transactions. However, indications here are that proposals could be received from Australian exporters for exports to Egypt paid for by other means than through sterling accounts. Would be glad of advice as to whether United Kingdom is currently licensing exports to Egypt on any other financial basis.

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TREASURER & TREASURY  
A/MIN. & DEPT. E.A.  
A/MIN. & DEPT. TRADE (C)  
MIN. & DEPT. DEFENCE  
MIN. & DEPT. S. & T.  
P.M'S.

(COST £8.0.0)  
15th August, 1956.

SEC A/Ss UN ER CR PAC&AM SA EAF&ME E AF&ME  
INF DL C&P M.T.

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INWARD TELEGRAM

163/4/7/3/3

FROM: MINISTER OF EXTERNAL AFFAIRS, WELLINGTON.  
TO: HIGH COMMISSIONER FOR NEW ZEALAND, CANBERRA.  
DATED: WELLINGTON 10 AUGUST 1956.  
REC'D: CANBERRA 7.30 p.m. 10 AUGUST 1956.

No. 250.      CONFIDENTIAL.

Deputy No. 1009. (Please pass to Kowhai 74)  
Totara No. 218 (Please pass to Matai 87)  
Tanekaha No. 160.  
Singapore No. 352 (Please pass to Bangkok 39)  
Kauri No. 250.  
Zealous No. 53.

SUEZ CANAL.

The following summarizes, for your guidance, the present position of the Government on the Suez Canal problem.

1. As the Prime Minister has informed the House (see press), New Zealand is not prepared to see the Canal under the sole control of Egypt. A waterway of such vital importance should be under international control.
2. In the past, New Zealand has, on several occasions, declared its opposition to the arbitrary imposition of restrictions on shipping and its support for the general principle of freedom of passage on the high seas and on recognized international waterways. While the amount of New Zealand's trade passing through the Canal is small, the eventual consequences for New Zealand of any interference with the free passage of vessels, particularly any interruption of the flow of oil traffic, could be most serious.
3. The Government fully supports the action of the three sponsoring powers in calling a conference to discuss the Suez Canal question. It has expressed the view that the legitimate special interests of Egypt and the interest of the international community in the assured application of the 1888 Convention can best be guaranteed by an international regime for the Canal.

*M. Haydon (11)  
was 15/8  
Rich (17)*



4. The general outline of the proposed international regime as agreed by the Three Powers appears satisfactory. The important issue is likely to be, however, the degree to which the introduction of an international element will involve the diminution of responsibilities and advantages Egypt would have enjoyed after 1968. The prime objective of the conference should be to win Egyptian acceptance of the concept of international supervision. If this can be assured, the regime should, as far as possible, consistently with the protection of the acknowledged international interest, allow Egypt what she was entitled to expect on the expiry of the concession.

5. The Government profoundly hopes that the purposes of the conference will be realized and recognizes the grave consequences which could arise if it fails.

6. The Prime Minister has informed the United Kingdom that it can be assured of New Zealand's full support.

7. He has asked Sir Anthony Eden for more precise information as to nature of the joint action apparently contemplated by the United Kingdom and France, in order that the Government may assess more fully the implications of the possible failure of the conference and any decisions which the New Zealand Government might ultimately be obliged to make.

For Washington only. For Munro. Mr Macdonald will be able to supplement this in New York.

(Sgd) EXTERNAL

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163/4/7/2/3.

DEPARTMENT OF EXTERNAL AFFAIRS.  
**INWARD CABLEGRAM.**

U N C L A S S I F I E D

AS

I.10799

Dated: 14th August, 1956  
1810  
Rec'd: 15th August, 1956  
0820

FROM:

Australian Trade Commission,  
CALCUTTA.

U/N. UNCLASSIFIED.

Addressed Canberra repeated London and Singapore  
for information.

From Tange.

1. Singapore standard quotes Minister as saying that even without international control it may be possible to have Canal efficiently operated for benefit of all.
2. In fact when asked this question Minister declined to comment, having already circulated Sydney statement referring to internationalization.

A/MIN&DEPT EA  
MIN&DEPT DEFENCE  
TREASURER&TREASURY  
A/MIN&DEPT TRADE (C)  
MIN&DEPT S&T  
P.M'S

15th August, 1956

SEC A/Ss L&T(DIV5) UN ER CR PAC&AM AM&SP S&SEA  
SA SEA E.AF&ME E AF&ME INF DL MT C&P  
G

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FM

National Archives of Australia

NAA: A1838, 163/4/7/3/3 PART 4



File 163/4/7/3/3.

DEPARTMENT OF EXTERNAL AFFAIRS  
**INWARD CABLEGRAM.**

**RESTRICTED**

OA:MB

I. 10759.

Dated: 13th August, 1956.

2116

FROM:

Rec'd: 14th August, 1956.

1730

Australian Embassy,  
WASHINGTON.

825. RESTRICTED.

Repeated London 83 for External.

Suez.

According to Chalmers Roberts in to-day's "Washington Post", the White House briefing of Congressional leaders yesterday revealed that the United States policy is not to support United Kingdom-French plan for International Operating Agency but rather to allow Egypt to operate the Canal with an International Supervisory Body to ensure equitable and efficient operation in the interests of all Maritime Nations. The "Post" editorially approves this possible solution and sees Nasser's proposal for a wider conference as a "crack in the door" in this direction which the London Conference could well take advantage of. "New York Times" suggests that a possible compromise might be found if "Western demand for International Control over the Canal can be reconciled with Egyptian willingness to concede a form of International Supervision".

2. The State Department to-day issued a statement on the following lines: At the London meeting two weeks ago, the United States found itself in complete agreement with the French and British Governments that there should be International means to ensure practical and efficient operation of the Canal as a free open and secure International waterway in accordance with the 1888 Treaty. United States has not altered its views in this respect and is not aware of any difference in this matter between the British and French Government and itself.

3. The Ambassador is cabling tomorrow his impressions of United States thinking together with a report of a conversation he had with Rountree late this afternoon.

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A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE.  
A/MIN. & DEPT. TRADE (CANB.)  
TREASURER AND TREASURY.  
MIN. & DEPT. S. & T.  
P.M.'S.

15th August, 1956.

103

SEC A/Ss L&T(Div. 5) UN ER PAC&AM AM&SP S&SEA SA SEA  
E.AF&ME E AF&ME INF DL MT C&P

G

**RESTRICTED**



12.30:

The Director of the Atomic Weapons Research Establishment in England, Sir William Penney, said in Sydney this morning that four atomic devices would be exploded at the series of tests to begin at Maralinga early next month. Sir William, who arrived in Australia last night to direct the atomic tests, said two atomic devices would be exploded on towers; one would be dropped from a Valiant jet bomber based at Maralinga; and a fourth would be exploded on the ground. Sir William said the explosive power of the devices to be set off on towers would be about the same as the power of the devices exploded at Emu Field in South Australia in an earlier series of tests. The device to be dropped from the Valiant, which would be an operational weapon of service type, would have a low explosive power. The fourth device, to be set off on the ground, would have a very small explosive power. A great deal of military equipment would be tested in this fourth explosion to measure target response. At the same time several hundred servicemen from Australia, the U.K. Canada and N.Z. would receive indoctrination into the effects of an atomic explosion, from a safe distance.

The Chief U.S. delegate to the U.N., Mr. Cabot Lodge, has made a strong attack against Russia over the Suez Canal crisis. Speaking in Dallas, Texas, last night, Mr. Lodge claimed that Russian acts of international irresponsibility had led Colonel Nasser to nationalize the Canal. He said Russia's arms deal with Egypt through Czechoslovakia had caused Colonel Nasser's sudden and provocative seizure of the waterway. The arms deal was a greater contribution to a sharpening of international tension than any nation had made in the past year. He said Russia still spoke the words of Stalin, regardless of all talk of changes.

In London last night Mr. Menzies told a radio and television audience that Colonel Nasser's action in seizing the Canal had created a crisis more grave than any since the end of the second World War.

The build-up of British naval, military and air force precautions in the Mediterranean is being increased as delegates to the 22-nation conference begin to arrive in London. Communist East Germany announced last night that it was sending a delegation to the conference, even though it was not invited. However, a British Foreign Office spokesman said the delegation would not be admitted.

A spokesman for the Admiralty said last night that the autumn cruise of the British Mediterranean Fleet to ports in Spain, France and Italy had been cancelled because of the Suez situation. The aircraft carrier "Bulwark" arrived in Malta yesterday with the flight deck packed with jet aircraft. The French fleet, consisting of 2 aircraft carriers, 6 cruisers and 5 destroyers, has left Sardinia for an unknown destination.

In Djakarta yesterday the Indonesian Premier urged Britain and France to cease their military movements. It was announced in Cairo last night that mock air-raids were to be made tonight on Egyptian cities and towns to test air-raid defences.

The Chase-Manhattan Bank announced yesterday that if the Canal were closed, most of the oil required daily by Western Europe could be supplied by America and Venezuela. The Syrian Government said that Syria might not be able to protect British and American pipelines across their territory in the event of Western aggressive action against Egypt.



163/4/7/3/3.  
**SECRET**

780/6

14th August, 1956.

**THE SUEZ CANAL CONFERENCE - Modification of our Briefing**

MR. FORSYTH

In the Suez Canal Conference brief we have reproduced Eden's arguments about the inability of Egypt to build the High Aswan Dam from the present profits of the Suez Canal and the consequent argument that increased dues would follow if he should attempt to do so. (see page 5, section (b) "Reasonable Dues")

2. On the basis of the information available to us we are inclined to think that the present profits of the Suez Canal can close the gap created by the withdrawal of the United States, United Kingdom and International Bank offers. The arguments leading up to this conclusion are contained in Annex A to this note.

3. It would seem desirable to inform our delegation not to accept Eden's argument at face value and to suggest to the Delegation that they should discuss the matter with the United Kingdom delegation. We should at all costs prevent an argument along the lines that Eden has propounded being used, if it could be challenged by other participants.

4. We should also be careful about the way in which we present arguments dealing with Egypt's ability to develop a canal. This is dealt with in more detail in Annex B to this note, but the main point is that the Suez Canal Company itself, because of the termination of its concession in 1968, was not, as far as we are aware, considering any large scale or expensive development projects which would reduce the amount of profits at present being directed to amortisation funds. It is probably true that Nasser cannot, in view of his other commitments embark on further "huge extensions" as Eden calls them, but it is also probably true that the Suez Canal Company was not proposing to undertake any large extension in the 12 years left of its control.

5. On page 9 of the brief we have reproduced the United Kingdom estimate of the amount that the Egyptian Government receives from the Suez Canal Company - £stg 5 million. This figure is also used in Appendix 3 para 8. However, in Appendix 3 para 23 it is argued that the United Kingdom estimate appears unduly high and that £stg 2½ million would, on the information available to us, be more correct. It would also seem desirable to clear this discrepancy with the United Kingdom.

Economic Relations Branch

W.L. Morrison/CB.

**SECRET**

100



SECRET

ANNEX A.

Egypt's Ability to Build the Aswan Dam from Suez Canal Revenue

Sir Anthony Eden in his statement to the House of Commons on August 2 argued that "the net annual revenue of the Canal, after providing for taxation and providing for reserves as is at present done, is only some £10 million. Clearly it would be impossible with this sum to compensate the shareholders, to build the dam and to develop the Canal ..."

2. In announcing the nationalisation of the Suez Canal Nasser said "we shall build the High Dam by restoring our rights in the Suez Canal. We shall take the income from the Suez Canal - 100 million dollars a year - and build the dam".

3. The Suez Canal Company's GROSS income in 1955 was £Stg.35 million (98 million dollars). From this figure however running expenses amounting to £Stg. 15 million and interest payments to £Stg. 3 million must be deducted. Of the remaining £Stg.17 million, £Stg. 3 million was set aside in a reserve for developmental works. The net revenue of the Canal in 1955 then was in the vicinity of £Stg.14 million of which over £Stg.10 million was distributed as profits.

4. The International Bank's estimate of the total cost of the High Dam was 1320 million dollars, of which 390 million dollars would be required in foreign exchange. The project was to take 16 years to complete and was divided into two phases. The first phase was to cover the first five years and the Bank estimated that the United Kingdom and the United States grants totalling 70 million dollars would provide sufficient foreign exchange during this period. The Bank loan of 200 million dollars only became operative in the second phase which was to cover the last 11 years. The remaining 1050 million dollars was to be found by Egypt.

5. The Bank was of the opinion that if the Egyptian economy was carefully managed this target could be reached.

6. Nasser presumably considers that Egypt can still reach the 1050 million dollars target on the basis of the then known sources of revenue which the Bank had examined. Faced with the withdrawal of assistance to the value of 270 million dollars (£Stg 97 million), Nasser now considers that the Canal as a NEW source of revenue can close the gap created by the withdrawal of Western offers.

7. The United Kingdom and the United States grants totalling 70 million dollars (£Stg 25 million) were to cover the foreign exchange component for the first five years. This amount is however less than two years profits of the Suez Canal Company; likewise spreading the International Bank loan of 200 million dollars over the second phase of 11 years gives us an annual rate of approximately £Stg.6½ million.

8. Egypt presumably could overcome the problem of finding a fund of foreign exchange to finance initial outlay by obtaining a foreign loan from other sources, possibly the Sino-Soviet bloc or hold off foreign exchange operations or perhaps postpone the start of the Dam for three or four years and in the meantime accumulate the Suez Canal profits.

SECRET

99



SECRET

2.

9. As far as the foreign exchange component of the cost of the High Aswan Dam scheme is concerned, it appears that the profits of the Suez Canal can finance the gap left by the withdrawal of the Western offers.

10. As far as the total estimated cost of the scheme is concerned, the profits of the Suez Canal over 16 years could on the basis of present figures amount to £Stg 224 million or 627.2 million dollars, which is about half of the total cost of the Dam. This means that with the use of the profits of the Suez Canal, Egypt will not have to find 1050 million dollars from the already known sources of revenue, but only 698.2 million dollars (that is, the Suez Canal profits of 627.2 million dollars minus the 275 million dollars which have to cover the extra burden caused by the withdrawal of the Western offers; which leaves 352.2 million dollars and this amount is then subtracted from the 1050 million dollars which Egypt had to find in the first place).

11. Another way of stating the problem is:-

Egypt has to find 1320 million dollars of which foreign exchange amounts to 390 million dollars and local currency to 930 million dollars. Profits from the Canal amount to 40 million dollars per annum.

Therefore

	<u>Total</u>	<u>Annual</u>
Phase I (5 years)		
foreign exchange	\$70 m.	\$ 14 m.
local currency	\$290 m.	\$ 58 m.
Phase II (11 years)		
foreign exchange	\$320 m.	\$ 29 m.
local currency	\$640 m.	\$ 58 m.

12. On the basis of the information available to us it would seem that the present rate of profits of the Suez Canal can quite easily cover the foreign exchange component and at the same time ease the burden on local sources of revenue.

Question of Compensation

13. Eden emphasised that compensation amounting to £Stg 70 million would have to be paid to shareholders and that this sum would detract from the amount of Canal revenue that could be applied to the construction of the Dam. Nasser in announcing the decision to nationalise the Canal pointed out that payment of compensation was dependent upon prior surrender of all the Suez Canal Company's assets. The assets of the Suez Canal Company as at December 31, 1955, according to the Company's balance sheet, amounted to £Stg 85 million. Not all of these assets can be used, e.g. plant, buildings etc. and not all can be brought into use at short notice e.g. investment in long term securities. However, the assets are ample enough to set against the compensation without any cost to Egypt. Furthermore the Egyptians could relate compensation payments (about half of which in any case go to the British Government) to Egypt's blocked sterling account, (amounting to over £Stg 100 million) which is held by the British Government. That is Egypt might refuse to pay compensation unless the account is freed.

14. This paper has been discussed with Treasury who are in general agreement with its conclusion.

Economic Relations Branch

W.L. Morrison/GB.

SECRET

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SECRET

ANNEXURE "B"

THE DEVELOPMENTAL PROGRAMME OF THE  
SUEZ CANAL COMPANY

N.B. The information in this paper on the developmental projects of the Suez Canal Company has been taken from the Economic Bulletin of the National Bank of Egypt, Volume III, No. 2, 1955, page 131.

In December, 1954, the Suez Canal Company decided to embark on the 8th Programme of Improvement. This programme aims at increasing the capacity of the Canal to an average of 45 to 50 passages per day (against 40 at present) and permitting the passage of vessels up to 36 feet draught (against 35 feet at present) at a reasonable on speed. The increase in the passing capacity will be achieved through shortening the time required for a passage by cutting two passes at Port Said and Kabrit. With the completion of these two by-passes up to 60 passages can be effected within twenty-four hours, in exceptional cases. The total cost of all these schemes has been put at about £E.2.5 million per year during three to five years, apart from the usual maintenance expenses. Over the period of the Programme which began in 1955 the outside estimate would therefore be approximately £E.12.5 million. Eden, in his statement said that "this action would cost somewhere in the vicinity of £St.20 million".

In reaching our estimate of the Company's profits, we have allowed for the £St. 3 million per year which the Company is already setting aside for developmental works. If Egypt is content with the profit of about £St. 14 million per year it could also continue with this practice and would have no trouble in carrying out the existing developmental plans of the Suez Canal Company.

Late in 1954 the Suez Canal Company considered a more ambitious programme to increase the depth of the Canal to 44 feet. This programme was postponed until "circumstances during the next two or three years confirm its necessity". We are not aware that the Company gave any further consideration to this extension. In view of the Egyptian Government's advice to the Company in June, 1956, that it was not prepared to extend the Company's concession beyond 1968, it is unlikely that the Company would undertake such an expensive scheme in the remaining 12 years of its control.

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SECRET



*Mr. Menzies* *163/4/7/3/3*  
*was 14/8*  
A.B.C. NEWS - 7.45 a.m., 14th August.

Mr. Menzies told a radio and television audience in London last night that Colonel Nasser's action in seizing the Suez Canal had created a crisis more grave than any since the end of the second World War. Mr. Menzies said: "If any nation could claim that its sovereign rights entitled it to set treaties aside and violate international contracts, all talk of or reliance upon international law would become a sham. If Egypt can validly nationalize the Suez Canal, then Panama could validly terminate its perpetual lease to the U.S. and take over the Panama Canal. It is little wonder, therefore, that the American Administration regards Colonel Nasser's action with such gravity." Mr. Menzies said that if Egypt's threat to the Suez Canal was not resisted it would encourage other acts of lawlessness and so reduce Britain's economic strength. Australia gave its unqualified support to Britain, France and the U.S.

Mr. Casey, who reached Singapore last night, said charges on imports and exports could well be raised to the detriment of all, if the Canal became a plaything of an individual country. The Assistant Secretary of the Egyptian Foreign Ministry, Salah Osman, who is also in Singapore, said yesterday that Egypt is ready to dynamite the Suez Canal. He added: "And that is no empty threat". He is returning to Egypt after taking a message from Colonel Nasser to the Indonesian Government about Suez. In Cairo, the Arab League declared that any aggression against Egypt would be considered aggression against all other Arab states. The Council, with representatives from Egypt, Syria, Iraq, Yemen and Libya, fully endorsed Egypt's action in calling for a wider conference on the Canal dispute.

Meanwhile, reports from Washington say that the State Department has modified its original suggestion for international control of the Canal. The Department is reported now to be in favour of allowing Egypt to run the Canal as at present, but at the same time an international agency should be established to have the power to settle disputes between Egypt and those using the waterway. A spokesman for the Department said America thought there should be some sort of international means to ensure that the Canal functioned properly as a secure international waterway.

CONFIDENTIAL.



163/4/7/3/3

J.C.G. Kevin, Esq.,  
Department of External Affairs,  
CANBERRA...A.C.T.

*With the compliments  
of the  
Official Secretary*

Enc: Copy of telegram Circular  
Telegram Y No. 163 received  
from Secretary of State  
Commonwealth Relations Office.  
Ref: Suez - Soviet Attitude.

*Office of the High Commissioner  
for the United Kingdom,  
Canberra, A.C.T.*

14th August 1956.

*1. A/Senior  
2. Mr. L. J. ...*

*1. A/Senior*

National Archives of Australia

NAA: A1838, 163/4/7/3/3 PART 86



## TELEGRAM

From: THE SECRETARY OF STATE FOR COMMONWEALTH RELATIONS

To: THE HIGH COMMISSIONER FOR THE UNITED KINGDOM, CANBERRA

Despatched: 21.50, 13th August, 1956

Received: 11.45, 14th August, 1956.

PRIORITY

TELEGRAM CIRCULAR Y. NO. 163, CONFIDENTIAL

Addressed Circular Telegram Y. No. 163, United Kingdom High Commissioner Pretoria air mail; repeated United Kingdom High Commissioners Delhi, Karachi and air mail United Kingdom High Commissioner Colombo.

My telegram Circular M. No. 160.

SUEZ - SOVIET ATTITUDE.

Following is extract from Moscow telegram No. 1108 of 11th August. BEGINS.

I handed reply to Shepilov today.

2. Shepilov said their answer was in Declaration published on 9th August which stated Soviet Government's acceptance of invitation to attend Conference. This did not of course mean that Soviet Government was in any way bound or limited in advance by principles of Three Power Declaration. This was entirely natural since Conference had been called to discuss and agree about "principles and provisions" of question at issue.
3. Shepilov confirmed that he himself would head delegation. ENDS.

SECRETARY OF STATE.

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File

was 14/8



163/4/7/3/3

DEPARTMENT OF EXTERNAL AFFAIRS  
**CONFIDENTIAL**  
**INWARD CABLEGRAM**

RR:MB

1. 10721.

Dated: 13th August, 1956.  
1411

FROM:

Rec'd: 14th August, 1956.  
0830

Australian Legation,  
CAIRO.

170. CONFIDENTIAL.

Please pass following to Qantas. For Turner from  
Tapp.

Firstly, consider situation generally improved following President's speech and unlikely any interruption of services immediate future, but Wade departs 15th August, due Tehran 16th August, ready in position if required as little scope available to him here at present.

2. Secondly, the Director General of Civil Aviation and Security have taken firm action to ensure airport fully operational and no interference with passengers on 16th August which day declared 24 hour strike in support of Egyptian Government's stand.

3. Thirdly, notwithstanding the foregoing, considered advisable aircraft not kept for long periods on the ground unless unavoidable, therefore, if engine change likely, advisable to divert to more suitable location and EM536 diversion Beirut this morning wiser.

4. Fourthly, no backlog here and sufficient seats available for immediate future due to transfer of many passengers reserved for scheduled services to Britannia charters.

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MIN. & DEPT. CIVIL AVIATION.  
QANTAS EMPIRE AIRWAYS (SYDNEY)  
A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE.  
P.M.'S.

T/Typed to E.A. Sydney (for Qantas)  
E.A. Melb. (for Civ.Av.)

14th August, 1956.

SEC A/Ss L&T(Div. 5) UN ER PAC&AM AM&SP S&SEA SA  
SEA E.A.F&ME E AF&ME INF DL MT C&P

G

CONFIDENTIAL



163/4/7/3/3

DEPARTMENT OF EXTERNAL AFFAIRS.  
UNCLASSIFIED.  
**INWARD CABLEGRAM.**

HD:MB

I. 10724.

Dated: 13th August, 1956.  
1504  
Rec'd: 14th August, 1956.  
0830

FROM:

Australian Commission,  
SINGAPORE.

416. UNCLASSIFIED. PRIORITY.

Suez Canal.

We shall be able to give Minister full account of  
Nasser's statement from press and newsagencies.

Harry.

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A/MIN. & DEPT. E.A.  
P.M.'S.

14th August, 1956.

SEC A/Ss UN PAC&AM S&SEA SEA E.AF&ME AF&ME INF C&P

93

F/A

RESTRICTED

DEPARTMENT OF EXTERNAL AFFAIRS.

163/4/7/3/3.

JERC:VA

INWARD CABLEGRAM. 1.10742

Sent: 13th August, 1956  
2245

Rec'd: 14th August, 1956  
0950

FROM:

Australian Embassy,  
PARIS.

266. RESTRICTED.

Repeated savingram to London 77.

Suez Conference.

The French Press of 13th August expresses no surprise at Nasser's refusal and the Minister for Foreign Affairs hints that, as a result of "Egyptian indiscretions", they had known what was coming.

2. "Figaro", however, admitted some surprise at the "presentation of the declaration". Instead of the Facist - style ranting Nasser had read, in very calm tones, an exposition containing large juridical considerations. His counter-proposition was clearly aimed at embroiling the London Conference. There had been speculation whether in his address to the Egyptian people on Sunday night, Nasser announced an agreement with Moscow. Clearly the Russian Ambassador to Egypt, whom Nasser has seen eight times since the crisis started, had invited him to show moderation. The end of the speech had had a pessimistic ring and confirmed the existence of heavy "Malaise" in Cairo. If the clamour in Egypt had abated a little, this was due to the unity and firmness of the West.

3. The Press also records evolution in American opinion, both as regards the Anglo-French position and the gravity of the issue.

... Stirling.

A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE  
TREASURER & TREASURY  
A/MIN. & DEPT. TRADE (C.)  
MIN. & DEPT. S. & T.  
P.M.'s.

14th August, 1956.

SEC A/Ss L. & T.(DIV.5) UN ER CR PAC&AM AM&SF S&SEA SA  
SEA EAF&ME E AF&ME INF DL MT C&P

G

RESTRICTED



For 163/4/7/3/3

Senator McKenna (Leader of the Opposition in the Senate) was today sent, at the request of his Secretary, the following:-

Art 8 of the 1954 Agreement

Map of Canal (UK)

Mr Casey's Statement on Departure from Sydney

Appendix 14 of the Brief Case p 4.

He had previously been sent a copy of the 1988 Convention, the 1854 & 56 Concessions, the Ministers Statements & some parts of Appendix 14.

At Mr Kevin's request I referred the Senator's Private Secretary to the Economist of 4 August 86. The Senator 91  
will still like to see the Canal Company's balance sheet & profit & loss account when available.

163/4/7/3/3.

DEPARTMENT OF EXTERNAL AFFAIRS.

**INWARD CABLEGRAM.**

:ABK.

I. 10752.

Dated: 14th August, 1956.  
1122.

FROM:

Rec'd: 14th August, 1956.  
1500.

Australian Commission,  
SINGAPORE.

PRESS:

U/N. UNCLASSIFIED.

Following is the text of a statement made by Mr. R.G. Casey at Darwin, 13th August, on receiving a summary of the Report of Egypt's refusal to attend the London Conference.

"From the brief press summary available to me of what Colonel Nasser said, his statement appears to have been moderate in tone but nevertheless unsatisfactory. Bearing in mind the fact that Colonel Nasser had proposed an International Conference it is greatly to be regretted that Egypt will not be represented at the London Conference. This will prolong the difficulties of reaching agreement and will maintain the tension".

A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE.  
TREASURER & TREASURY.  
A/MIN. & DEPT. TRADE (C)  
MIN. & DEPT. S. & T.  
P.M.'S.

14th August, 1956.

SEC A/Ss L&T(DIV.5) UN ER CR PAC&AM AM&SP S&SEA SA SEA  
E.AF&ME E AF&ME INF DL MT C&P.  
G.

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163/47/3/3

DEPARTMENT OF EXTERNAL AFFAIRS  
**CONFIDENTIAL**  
**OUTWARD CABLEGRAM.**

AS:HMCC

0.11067

Sent: 14th August, 1956.  
1645

TO:-

Australian High Commission,  
L O N D O N.

1854. CONFIDENTIAL.

For McIntyre.

London Conference. United Kingdom High Commission has outlined Conference arrangements to us and asked whether they are acceptable. We have suggested that United Kingdom authorities should submit these to Prime Minister.

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A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE  
P.M'S.

(COST £3.16.8)  
15th August, 1956.

SEC A/Ss UN ER CR PAC&AM AM&SP S&SEA SA SEA  
EAF&ME E AF&ME INF DL C&P M.T.

G

Mr Kevin

163/4/7/3/3.

For your information.

Possibly we should  
make our agreement subject  
to confirmation by the  
Prime Minister

wms 14/8

Alen

Can we (with PM's approval)  
say that this is alright with us  
but that they should clear it  
with PM in London

14/8

Mr Billington

NB I rang Mr TIMBS of PM's

88

and told him they were  
quite acceptable to us; however  
we felt that they should  
be cleared with the Prime



Mrs Tumbos agreed to  
suggest to the High  
Commissioner that  
United Kingdom authorities  
should submit them  
to Sir Allen Browne who  
would clear them with  
the Prime Minister

was 14/8

87

CONFIDENTIAL

POL. 274/1.



DEPARTMENT OF  
EXTERNAL AFFAIRS

13 AUG 1956  
163/47/3/3  
CANBERRA.

The Secretary,  
Department of External Affairs,  
Canberra, A.C.T.

*With the Compliments  
of the  
Official Secretary*

(Copy of letter addressed to The  
Acting Secretary, Prime Minister's  
Department, dated 13th August, 1956).

*Office of the High Commissioner  
for the United Kingdom,  
Canberra, A.C.T.*

13th August, 1956.

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GR

National Archives of Australia

NAA: A1838, 163/4/7/3/3 PART 4



13th August, 1956.

Sir,

I am directed by the High Commissioner to refer to previous correspondence about the Suez Canal and to inform you that the United Kingdom Government propose the following practical arrangements for the Conference to be held in London on the 16th August:-

- (a) that the Conference should be served by a Secretary-General and a Secretariat to be appointed by the United Kingdom Government as a host Government;
- (b) that the Secretary-General should receive and report to the Conference on the credentials of Delegates to the Conference;
- (c) that Conference seating, voting and other points of precedence should be determined by the alphabetical orders of the names of the accrediting states in the English language;
- (d) that the languages of the Conference should be French, English and Russian; that simultaneous oral interpretation into the other two languages should be provided; that texts, motions and proposals may be submitted and circulated in any of these languages and that translations into the other two will be provided;
- (e) that a verbatim record of proceedings in plenary session should be circulated in accordance with arrangements made by the Secretariat; that any corrections should be sent in to the Secretariat as soon as possible; and that no minutes of Sub-Committees or Commissions should be kept unless specifically requested.

2. The United Kingdom Government trust that these proposals will be agreeable to the Australian Government and the High Commissioner would be grateful to receive urgent confirmation to this effect in order that he may inform the United Kingdom Government before the start of the Conference.

I am, Sir,  
Your obedient Servant,

(SGD) A. G. R. ROUSE

(A. G. R. ROUSE)

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THE ACTING SECRETARY,  
PRIME MINISTER'S DEPARTMENT,  
CANBERRA, A.C.T.



File No. 221/5/12/1

Despatch No. 9

9th August, 1956.

Sir,

I have the honour to report on developments here associated with the Suez crisis.

2. We have continued to talk with the Foreign Ministry when it seemed desirable to repeat your points or to hear theirs. We have been in frequent touch with the British Ambassador and, at my suggestion, he last evening brought together all the Heads of Commonwealth Missions here and gave a candid and complete account of his dealings with the Italian Government. I have had several talks with the Americans and this morning, at his invitation, a discussion in detail with the *Chargé d'Affaires* (the Ambassador probably returns next week).
3. From all the talks it seems that the Italian attitude has been clear and consistent. The British Ambassador was considerably impressed by the promptness with which the Italians responded to his Note and Invitation. Even though the Foreign Minister was then in Switzerland, Sir Ashley had a written reply within two hours of presenting the Note; and he understands that the Italians were the first to accept formally the Invitation. 84
4. On the Foreign Minister's return, he told the Ambassador that the promptness was possible because the previous Cabinet meeting had decided that the proper course was that subsequently put by London. The Italians had already instructed their Ambassador in Cairo to speak to Nasser while they talked here to the Egyptian Ambassador in a sense which proved consistent with the London statements and proposals.
5. At the Cabinet, a small group of Ministers had been at first inclined "to be nice to the Arabs." But Prime Minister Segni, Deputy Prime Minister Saragat, and the Foreign Minister insisted that Italy's interest was with the West. Saragat subsequently wrote an article in *Giustizia*. We attach a text to the Annex reporting Press attitudes. Saragat sent a copy of this article to the British Ambassador; and it may be taken as an exposition of Government policy.
6. The Italian attitude to the suggestion that the Conference might come to Rome was symptomatic. Martino (very justly) said that Rome was too hot and its hotels too packed. But he also held that Italy should not be put in a position which would seem to qualify in any way its solidarity with the West. In other words, he put aside the prospect (which always attracts this Government) of seeming to appear in the role of broker.
7. The first question that the Italians put to Sir Ashley Clarke was about the principles by which countries had been selected for invitation. The Italian point was that the value of cargoes passing through the Canal was of much more consequence than "flags". They were also interested in complications that might arise from rights and privileges and obligations of States "successor" to the Convention came into discussion. The "successors" to Austria—instance, are Austria, Hungary, Czechoslovakia and Jugoslavia; while the Turkish Empire are even more various.
8. The Italians repeat these points to us:
  - a) Italy is not a shareholder in the Suez Canal Company, not directly concerned with the financial aspects of the national economy is vitally affected. Italy will press for an international effort to restore the old



b) Though nationalization, in some circumstances, is unobjectionable, the method and manner of Colonel Nasser's action were "deplorable."

c) Last year, 9 million tons of cargoes for Italy passed through the Canal, and Italy paid £stg 5,000,000 in dues. Italian ships will continue to pay in their normal way, i.e. to Cairo through a clearing-account between Italy and Egypt. Italy is the creditor, and the dues and clearing-account help to balance trade. Italy has not been asked by London or Paris to change the method of payment; and the Italians feel that a change would, at this stage, be merely provocative. Payments are being made with "reservations", corresponding in a milder word with the Americans' "under protest".

d) Until last evening, at least, the Italians inclined to think that Russia would make some appearance of "moderation", despite Pravda.

e) The Italians are interested in Nehru's statement in his Parliament yesterday that Egypt could not and would not go to London. They incline to think that Nehru thus appears as Nasser's spokesman; and that his remark was designed "to break it gently".

f) India's influence will, of course, be very strong with other Bandung Governments. The Italians feel that some useful play could be made with the Bandung text on Human Rights. (C 1 of the Bandung Communique) if Egypt dealt badly with Canal personnel. The Italians have taken a good look at the Bandung Communique.

g) The Egyptian Ambassador has been received by Ministers Saragat and Martino. He presented a note guaranteeing freedom of traffic through the Canal and pledging Egypt to its development. The Italians told the Ambassador that they would need more "solemn" guarantees than these promises.

h) Several countries suggested to Italy that London was an unfortunate choice for the meeting-place and that Rome would be better; but the Italians (as I have said) resist this. Martino would have accepted Geneva but he still prefers London.

9. I send copies of this Despatch to London, Paris, and Cairo.

I have the honour to be, Sir,

Your obedient Servant,

(D.P. McGUIRE)  
Minister

The Rt. Hon. R.G. Casey, C.H., M.C., D.S.O., M.P.,  
Minister of State for External Affairs,  
CANBERRA, A.C.T.

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ANNEX A TO ROME DESPATCH NO.9.

Italian Press - Suez Canal

In an Annex to Despatch No.7 of 1st August we gave a review of last week's Press on the Suez Canal problem. The pattern this week has been much the same, and much of the old ground has been covered again in editorials and leading articles.

One of the most interesting articles is generally held to have been written by Deputy Prime Minister Saragat in the Social Democrat newspaper Giustizia, and to be largely representative of the Government's view.

The main points are:

- (i) Despite Italy's sympathy with Arab aspirations, Italy considers Nasser's action "inadmissible."
- (ii) Italy is not interested in ownership of the Canal, or in the Suez Canal Company. Her main interest is in freedom of transit. "Italy, the most populous of the wholly Mediterranean nations, has her interests threatened as much, perhaps more, than England and France".
- (iii) Italy is also concerned about Canal dues and technical maintenance (i.e. efficient operation of Canal at reasonable prices).

The rest of the speech, full text of which is attached, contains the sharpest criticism yet levelled against Nasser by any Italian Government Minister. The Suez Crisis has shown up a further interesting divergence of views between the Nenni Socialists and the Communists, who before the Stalin story saw eye to eye on almost all issues.

A leading article in the Nenni newspaper Avanti of 5th August says that Nasser's action "goes beyond the bounds of the natralism which Egypt has so far observed and spreads in the direction of a pan-Arab and expansionist policy with an imperialist background. There is a vast difference between the present crisis and President Nasser's past challenge to England, France and the West as a whole in defence of Egypt's independence and neutrality. His appeal to the Arab world is something which goes beyond the legitimate search for the support of people of the same creed who are still - or were up to a short time ago - under the heel of English and French colonialism." The article then continues: "Experiences in respect of dictators who took upon themselves missions of unification are too recent and too catastrophic for true socialists and democrats not to feel open repugnance and decided aversion for President Nasser's pan-Arab plans. Amongst other things, he has made a big tactical mistake. Guy Mollet and M. Pineau have been dragged, or have allowed themselves to be dragged, into playing the game of the Suez Canal Company's shareholders, just because of the attitude adopted by President Nasser."

After some criticism of America's "wait and see" attitude, the Avanti article contends that Nasser has every right to nationalize the Suez Canal Company on payment of compensation. "It is legitimate, however, to demand freedom of transit in the Canal under the terms of a new international guarantee, more in keeping with the times than that given in 1888. But President Nasser must sheath his sword, and renounce his all too imperialist aims, if he wants to regain the sympathies he is now losing. He must not think he can pose as the Nehru of Egypt in order to become the Napoleon of Islam. Were he to choose the Napoleonic vocation he would, sooner or later, get a trouncing from the Russians and the British, and instead of writing an epic, he would be writing a farce."

As can be seen, this article conflicts abruptly with the Communist attitude towards Nasser's nationalization act, and Communist avowed sympathies with Nasser's efforts to free Africa from so-called "imperialism" and "colonialism".

The Corriere della Sera has, as usual, been restrained and objective in comment. Its leading editorialist, A. Guerriero, on 4th August emphasized that Britain cannot give way, because the issue at stake is of "vital importance" to her. In fact, "her solvency and survival as a Great Power" are at stake. 82

Guerriero hopes that Britain and France are sending forces to the Middle East more for psychological rather than for military purposes. Military operations against



Nasser, he says, might easily lead to the closing of the Canal." This does not mean that the two Powers can do nothing, in the military sphere, against Nasser, it means that certain military operations, such as the re-occupation of the Suez Canal base, would involve very serious risks".

Italy's special position in the Mediterranean, her reliance upon the Canal, and her desire to see a peaceful solution are themes recurring in a number of editorials. One of these from the Quotidiano is produced below:

"Italy will make her voice heard at the conference, and it will be a voice counselling moderation, above all because of her geographical position, which makes her the friend of all Mediterranean peoples. Italy is the Mediterranean nation par excellence, she lives entirely in the Mediterranean, and she receives nearly all her foodstuffs, and raw materials via the Mediterranean, so that freedom of transit through the Suez Canal and through the Straits of Gibraltar is essential to her. There are, however, historical reasons for Italy's attitude, since she was one of the signatories of the 1888 Convention; nor must the strategical attitude of the Suez Canal be lost sight of. As the Afro-Asian gateway of the Mediterranean, the compulsory passage between East and West, the meeting-point of three continents and a vital mineral oil route, it has greater strategical value than any other part of the world. N.A.T.O. without the certainty of free transit through the Canal and of its navigability at all times would no longer have any Mediterranean sense, especially when it is remembered that the guardians of Suez are now anti-N.A.T.O.

No one is more opposed to war than the Englishman, and if it has been decided to unearth old uniforms, even though as a precaution only, it means that there will be no bluffing. It is for this reason that we are looking with apprehension at this movement of ships and aircraft in the sea in which we live. And it is for this reason that we shall make every possible effort so that the method of negotiation will render the use of force impossible".

The financial and political newspaper Globo speculates about the possibility of military action. The editorialist concludes that a European or World War is unlikely. "What England and France are preparing is a punitive expedition, a very severe lesson for Egypt".

Colonel Nasser, the article says, has "performed the miracle of re-awakening France. To-day France's supreme aim is to teach Egypt a lesson. If President Nasser is humiliated, France's position in North Africa will improve immediately, and North Africa will become a zone of strategic interest to N.A.T.O."

In conclusion, the article states that Nasser has made a great mistake if he imagines Russia will intervene on his side. But what he has done is to give Britain a chance to "regain in a few days the positions that have been lost in the Middle East in recent years."



IMPARTIAL APPRAISAL OF THE SUEZ QUESTIONGiustizia - 7/8th August, 1956

Our great sympathy towards the emancipation of the Arab world does not prevent us from concluding that President Nasser's action is an inadmissible one. There is nothing to justify it. England had carried out her obligations. British soldiers had been gone from the Canal Zone for more than a year. President Nasser had a first-class opportunity to show the world that his country's liberty was admirably in keeping with the interests of all those peoples whose ships use the Canal. Instead, President Nasser has attempted a dangerous and futile act of force.

The problem of the Canal's ownership leaves us completely indifferent; it is certainly not the interests of the Suez Canal Company's shareholders which stir us. If the problem were reducible to such terms, our sympathies would incline rather to the nationalizers rather than to the nationalized. But this is not the question, and a massive intellectual dishonesty is needed not to admit it. What has been put at stake by Nasser's move, in spite of his declarations of adherence to the Constantinople Convention, is freedom of navigation through the Canal. Italy, the most populous of the wholly Mediterranean nations, has its interest threatened as much, perhaps more, than England and France. The attitude of those who among us are rubbing their hands with glee in the belief that England and France are in a mess, thus appears senseless.

We may deplore the way England and American have acted over the Aswan dam. If the Americans and the English did not think it fitting to contribute to the construction of the dam, they had ways of doing it without endangering Nasser's prestige with the Egyptian people. But this mistake by our Anglo-American friends in no way justifies President Nasser's inadmissible action. There are certain acts which can lead only to harm for all concerned, most of all for those who perform them. In reality, contrary to what the Egyptian people think, President Nasser's position is anything but an easy one. Nasser has tried to solve by unilateral action a problem which logic, good sense and the general interest demand should be settled with the full agreement of all the parties concerned.

President Nasser by a unilateral declaration of his right to seize the Canal and to run it without accounting to anybody and by putting his words into actions, is making a serious mistake because he is not in a position to decide what can and what cannot be done in the Canal. And the reason for this is very simple. The Constantinople Convention obliges Egypt to recognize freedom of navigation in the Canal. Every action which directly or indirectly makes for the violation of this freedom of traffic would be an act of genuine aggression against the vital interests of the affected powers and as such would be an invitation to immediate reprisals.

President Nasser cannot be unaware what the consequences would be of any hostile move of his against the freedom of traffic, and he has, in fact, made a very expedient declaration that he intends to respect the 1888 Convention. But by what right does President Nasser claim to be the only judge of a subject which concerns all the interested nations? As well as the problem of ~~technical~~ freedom of traffic, there is the problem of tariffs, the problem of technical maintenance of the waterway, etc. All this does not only concern President Nasser, but also the nations whose ships pass through the Canal.

And what, if, for example, the nations concerned refused to acknowledge the new Company and declared themselves entitled to send their ships through the canal without making any payment? That is what the French are doing. The Americans as far as we know are consenting to pay although making an appropriate protest. The American attitude, dictated as it is by a high sense of responsibility, cannot however, make a precedent for the other interested parties. On the other hand, this situation gives Egypt insoluble problems. Against the unilateral decisions from the other parties can just as logically be set. As Nasser has no way of stopping the passage of ships without becoming the aggressor, it is clear that the first person whose interests point towards a conference solving all these problems is Nasser himself.

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Far from holding all the aces, as all our local Communists and Fascists think, President Nasser has put himself into an awkward position which we would be very glad to see him get out of. But that can only happen when and if he accepts the methods and the forms of discussion of a peaceful and democratic world. We realize that the nationalistic seethings of countries freed only a short time ago from colonial domination, can sometimes turn these countries away from the highway of democracy. We earnestly hope, in the interests of the Egyptian workers, that these seethings will not be exploited by their governing class in order to dodge the social problems which should absorb the greater part of its energies. It is only too easy, instead of facing up to a throughgoing agrarian and fiscal reform, to bluster at the West and to waive the mirage of an Arab Empire which is a thousand years behind the reality of modern times. It is too easy and also useless and dangerous.

Therefore we hope that President Nasser will not let slip the chance presented to him by the proposed conference to restore the problem, rashly raised by Nasser on a national level, to the sphere of democratic negotiations. By acting differently, President Nasser can win the self-interested sympathies of the Fascists and Communists of the whole world, but will definitely lose the impartial sympathies of those democrats who hailed the rise of a new Egypt, hoping that it would be peaceful, democratic and progressive.



In reply quote No. 221/5/34/1  
Memorandum No. 1136



DEPARTMENT OF  
EXTERNAL AFFAIRS

14 AUG 1956  
163/4/7/3/3  
CANBERRA.

AUSTRALIAN HIGH COMMISSION,  
NEW DELHI.

9th August, 1956

The Secretary,  
Department of External Affairs,  
CANBERRA. A.C.T.

Nehru's Speech on Suez Canal

Further to the High Commissioner's telegram No. 189 of 8th August, 1956 I am forwarding the text of Mr. Nehru's statement in the Lok Sabha (Lower House) on 8th August on the Suez Canal.

(D.J. Munro)  
Counsellor

Encl.  
DJM:JH

Original and enclosure sent 9/8/1956 by commercial  
Air Mail.  
Two additional copies herewith.

National Archives of Australia

NAA: A1838, 163/4/7/3/3 PART 4

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PRESS INFORMATION BUREAU  
GOVERNMENT OF INDIA

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STATEMENT BY PRIME MINISTER IN PARLIAMENT ON THE  
"SUEZ" CANAL ISSUE" ON AUGUST 8, 1956.

On the 26th of July President Nasser announced in a speech at Alexandria that the nationalisation of the Suez Canal Company had been effected. The control of the offices of the Company at Port Said, Ismalia, Suez and Cairo was taken over by the Egyptian Government following the promulgation of the nationalisation law by Presidential decree.

2. The assets and obligations of the Company were taken over by the State. The law provides for compensation to shareholders at the market value of shares as on the day preceding nationalisation. Such compensation is to be paid after the State has taken delivery of all the assets and properties of the Company.

The management of the Suez Canal traffic service was entrusted to an independent authority,

with an independent budget and all powers, without being subject to Government rules and regulations.

The funds and assets of the nationalised Company were frozen. The new Authority was under obligation to retain the existing personnel who, in turn, were not to relinquish their posts without permission.

The decree also provides for enforcement of the law and penalties attaching to breaches thereof.

3. The announcement has had world-wide repercussions. A grave crisis which, if not resolved peacefully, can lead to conflict, the extent and effects of which it is not easy

...to assess,



Prime Minister's statement (Contd.)

to assess, has developed. In this crisis, the foremost consideration must be to strive for a calmer atmosphere and a rational outlook.

When passions dominate, the real issues recede into the background, or are viewed or presented so as to emphasise the differences between the disputants and to rouse or feed the passions already engendered.

4. It is not easy for any one, much less for the disputants, to escape this tragic involvement, and even for others, total objectivity is not possible. In crises of this kind we deal not merely with the issue in dispute, but we witness the upsurge and conflict of mighty forces.

5. So, we have to deal with the problem as it confronts us or be overwhelmed by it. It is appropriate, therefore, to glance at the facts and the history of this problem.

6. The Suez Canal Company which is nationalised by Egypt, controls the operation, and the equipment, and holds the concession of the Suez Canal. The Canal itself is in Egypt and an integral part of Egypt. The sovereignty of Egypt is thus beyond question. This is recognised both in the Charter given to the Company in 1856 by the Viceroy of Egypt under the Ottoman Empire as well as in subsequent agreements and until as late as 1954. The original Charter of 1856 which set out the terms of the Canal concession provided that the Canal "shall always remain open as a neutral passage to every merchant ship crossing from one sea to another without any distinction, exclusion, or preference of persons or nationalities..."

7. The Convention of Constantinople of 1888 reiterates that the Canal shall always remain free and open.

8. The position in regard to the sovereignty of Egypt on the one hand and the character of the international waterway is well set out in the Anglo-Egyptian Agreement of 1954, negotiated by the Governments of the United Kingdom and Egypt.

9. The House would be interested in the formulations in this Agreement, which is a very recent Agreement between Egypt and the

...United Kingdom



Prime Minister's Statement (Contd.)

United Kingdom, two of the main parties in the present crisis:-

Article 8 reads: "The two contracting Governments recognise that the Suez Maritime Canal, which is an integral part of Egypt, is a waterway economically, commercially and strategically of international importance, and express the determination to uphold the Convention guaranteeing the freedom of navigation of the Canal signed at Constantinople on the 29th of October, 1888."

10. The sovereignty of Egypt on the one hand and the character of the waterway as one "of international importance" is recognised in a solemn agreement by Egypt and the United Kingdom, and they both have also expressed their determination to uphold the Convention of 1888.

11. The Suez Canal Company is an Egyptian Company and, in Egypt's view, subject to the laws of the country. The shares are held, except for a small portion, by foreign Governments or nationals. The British Government hold 44 per cent of the shares. There are 32 Directors on the Board: 9 British, 16 French, 5 Egyptian, 1 American and 1 Dutch.

12. The concession of the Suez Canal Company would have expired in 1968, and the Egyptian Government, the present and previous ones, have publicly declared that the concession would not be renewed. The assets and obligations would then have reverted to Egypt under the Agreement of 1856.

13. The present decision of the Egyptian Government therefore would appear to ante-date the taking over by them of the Company. No question of expropriation has arisen since the shareholders are to be compensated at market value. Even if there remain any outstanding differences in this matter, they do not call for developments which lead to an international crisis.

.....14. The Egyptian

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Prime Minister's Statement (Contd.)

14. The Egyptian Government have also reiterated that they will honour all their obligations arising from International Agreements, and in their reaffirmation have referred both to the Convention of 1888 and to the Anglo-Egyptian Agreement of 1954.

15. The French and the United Kingdom Governments reacted to the Egyptian announcement quickly, sharply and with vehemence. Honourable Members of the House have seen press reports of military and naval movements ordered by the United Kingdom and France. <sup>and some military measures in Egypt.</sup> These have received much publicity and have aggravated the situation. All this has influenced public opinion not only in Egypt but over the Arab World. In Asia as a whole, with its colonial memories, great resentment has been aroused.

16. I have no desire to add to the passions aroused, but I would fail in my duty to this House and the country and even to all the parties involved in this crisis, and not least of all to Britain and France, if I do not say that threats to settle this dispute, or to enforce their views in this matter by display or use of force, is the wrong way. It does not belong to this age and it is not dictated by reason. It fails to take account of the world as it is today and the Asia of today. If this were all, we could perhaps possess ourselves in patience and reflect that the mood will pass. But it would be unrealistic and imprudent not to express our deep concern at these developments and point to their ominous implications. We deeply regret these reactions and the measures reported to be taken in consequence, and we express the hope that they will cease and the parties will enter into negotiations and seek peaceful settlements.

17. We also much regret that, in the steps that have led up to this crisis, there has been no exercise by one side or the other of their respective or common initiative to inform or consult one another.

18. We have great respect and regard for the sovereignty and dignity  
... of Egypt



Prime Minister's Statement (Contd.)

of Egypt and for our friendly relations with her. The Egyptian nationalisation decision was precipitated by the Aswan Dam decision of the United States Government in which the United Kingdom Government later joined. More than the decision, the way it was done, and hurt Egypt's pride and self-respect/ disregarded a people's sentiment.

19. The suddenness of the nationalisation decision and the thorough manner in which it has been implemented may have contributed to the violent reactions. But the terms of the nationalisation itself under the laws of Egypt <sup>are</sup> within the province of that Government.

20. As I informed the House some days ago, the Suez Canal issue was not discussed between President Nasser and myself when we met recently. The consideration of it and the concerned decision must have been made later.

21. The Governments of the United States, United Kingdom and France have held urgent and prolonged consultations and their views are set out in a joint communique which Hon'ble Members must have seen in the press reports.

22. This communique recognises the sovereign rights of Egypt, but appears to limit these sovereign rights to nationalise only assets, which in the words of the communique are "not impressed with an international interest". If this was the point at variance, the violence of the reactions and the warlike gestures - I would still hope they are not war-preparations - were unnecessary and have been grievous in their results.

23. The three powers also agreed that a conference of the parties to the Convention of 1888 and other nations largely concerned with the use of the Canal should be held on the 16th of August, 1956, in London in which they agreed to participate. The United Kingdom

...has



Prime Minister's Statement (Contd.)

has in pursuance of this decision extended an invitation to 23 countries which are:-

Australia	Japan
Ceylon	The Netherlands
Denmark	New Zealand
Egypt	Norway
Ethiopia	Pakistan
Federal Republic of Germany	Portugal
France	Spain
Greece	Sweden
India	Turkey
Indonesia	The U.S.A.
Iran	The U.S.S.R.
Italy	

The Government of India received an invitation from the United Kingdom on the 3rd of August to a conference in London "on the Suez Canal question." Prior to this, the United Kingdom Government kept the Government of India informed of developments.

24. Aware as they are of the extreme gravity of the situation that has developed and of the circumstances that obtain, the Government have given anxious and careful consideration to all aspects of this question, including the reply to the invitation. The Government have also been in contact with interested countries, including Egypt.

25. It has always been quite clear to the Government that they could not participate in any conference which bound its participants beforehand as to the conclusions to be reached. The Government would equally decline participation in any arrangements for war-preparations or sanctions or any step which challenged the sovereign rights of Egypt. They have also been concerned at the exclusion from the list of invitees of various countries who should be included in the categories of signatories to the Convention of 1888 or of principal users. Without seeking to make invidious distinctions, I would like to say to the House that the exclusion of Burma is to us a particularly regrettable omission. Yugoslavia, by virtue of being a succession State in respect of the Convention of 1888 and a maritime power,

...should have also



should have also found a place among the invitees.

The Government of India, therefore, do not subscribe to the appropriateness of the list of invitees.

26. They have sought clarifications from the United Kingdom Government and feel assured that their participation in the conference does not in any way imply that they are restricted to or bound by the approach and the principles set out in the joint communique. They recognise that Egypt could not and would not participate in a conference on the Suez Canal to which she is merely an invitee and in respect of which there have been no consultations with her.

27. The Government of India had to take a decision in the situation as it confronted them. India is not a disinterested party. She is a principal user of this waterway, and her economic life and development is not unaffected by the disputes, not to speak of worse developments, in regard to it.

28. Even more, India is passionately interested in averting a conflict. She is in friendly relations with Egypt, and associated with her in the acceptance of the Bandung Declarations and the "Five Principles". India has also good and close relations with the principal Western countries involved. Both these relations are held in great esteem by us, as this House and all the world knows. The considerations and the criteria on which the Government had to base their decision, and not an easy one, is how best they could serve the cause of averting conflict and obtaining a peaceful settlement before it is too late. The House will appreciate the gravity of the situation as the Government have done. The settlement of this

problem,.....

Prime Minister's Statement (Contd.)

: - 8 - :

problem, on the basis of the sovereignty and dignity of Egypt, and by agreement amongst all concerned, and the abandonment of postures of threats and violence, and of unilateral action by either party, are therefore of the utmost concern to India.

29. The Government therefore obtained the necessary assurances from the United Kingdom and made their own position quite clear. They have satisfied themselves that their participation in the London Conference will not injure the interests or the sovereign rights and dignity of Egypt. With the sense of grave responsibility that rests on them, the Government have decided to accept the invitation and to send representatives to the Conference.

30. They have kept in close contact with Indonesia and Ceylon and with others who broadly, have a similar approach and attitude to that of India on this question.

31. The Government are well aware that this conference can reach no final decisions; for that requires the agreement of Egypt.

32. Sir, the House, I am aware, shares the grave concern of the Government in this matter. In all humility, I ask it to share with them the hope that the participation of India will assist in the endeavours for a peaceful settlement.

NOTE :

A similar statement was made simultaneously in the Rajya Sabha by Shri V.K. Krishna Menon, Minister without Portfolio.

ARV/CVR/VS/DS  
1100/8.8.56/5966.





163/4/7/3/3

P.J. Kelly, Esq.,  
Information Dept.,  
Dept. External Affairs,  
CANBERRA. A.C.T.

With the compliments  
of the  
~~Information Officer.~~

Director of United Kingdom  
Information Services.

Office of the High Commissioner  
for the United Kingdom.  
Canberra, A.C.T.

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CONFIDENTIAL.

SUEZ.

Following is further information about (a) Suez Canal Company's 8th programme and (b) sums received by Egyptian Government from Canal Company in 1955. Company's 8th programme which was due for completion in 1959 was being financed by yearly allocations from revenue. Purpose of expenditure of £20 million included provision of two bypasses and widening and deepening to permit passage of 48 ships a day with a high point of 60 compared with present rate of 40 a day with high point of 48. Details of further development over next 20 years were under consideration at time of nationalisation. They involved virtually doubling capacity of Canal and would have required financing by loan (b) Egyptian Government received about £6 million from Company in 1955 of which about £1 million represents 7% of profits (16 million francs) and rest is taxation. Latter includes tax on Company's industrial profits and also personal income tax on all shareholders.

COMMONWEALTH RELATIONS OFFICE MEMORANDUM  
DATED 14TH AUGUST, 1956.



SUEZ - SOVIET STATEMENT.

Soviet Government recognize that forthcoming Conference in London "may provide an opportunity for finding an approach to settlement of questions connected with freedom of navigation in Suez Canal" and will accordingly send a representative. They therefore recognize that Conference is a genuine attempt to solve problems raised by Nasser's seizure of Canal.

2. Since its inception Suez Canal Company has had character of a kind of international organ as 1888 Convention and subsequent agreements (including that between Egyptian Government and Company in May of this year) clearly show.

3. Soviet statement declares that Egypt "is able to ensure normal navigation on Canal in a way not inferior to any private limited company". But on Cairo Radio 17th November, 1954, Nasser himself declared : "We must prepare for day on which concession expires by undertaking necessary studies and preparing to face delicate problems required by administration of such an establishment so that Egypt may be in a position to perform its duties completely and in best possible fashion". He cannot have done all this in two years. In any case three Western Powers are working for an international system and this need not take form of a private company.

4. Point in Soviet statement about economic and military measures by United Kingdom and France aggravating situation has been dealt with in Prime Minister's speech on 8th August. Soviet statement speaks of "attempts to restore by force last privileges of this Company"; nothing has happened to justify this allegation. 71

/On

On contrary we have convened an international conference to which we have asked Soviet Union.

5. Soviet statement complains that Conference was convened without consulting Soviet Union and other signatories of 1888 Convention. But object of Conference is precisely to consult them as well as other interested powers.

6. Soviet statement also suggests invitation of 22 other countries including China. But Chinese share of total number of transits through Canal in 1955 was 0.06% and share of all other countries now suggested by Russia was only about 2%. At 664th Session of Security Council on 29th March, 1954, Vishinsky said: "Principle of free navigation laid down by Convention of Constantinople of 1888 must of course be respected. But adoption of measures to ensure free navigation through Suez Canal is a matter for States which signed Convention and not for a chance group of States. Such States as China, for example Brazil, Colombia, Denmark or New Zealand are not directly concerned with that Convention since they were not signatories to it. It is these States however which constitute a majority in this Council".

7. Soviet statement asks for postponement of Conference. But nearly all powers other than Soviet Union have already accepted invitation and our practical arrangements are well advanced. It is too late to change these plans now.

8. Soviet note claims that Conference "bypasses United Nations in a manner which cannot be considered normal under existing conditions". But only two years ago Vishinsky was arguing the contrary. In same speech quoted above he said "by what warrant does Security Council ... assume right to settle problems which it is not competent to settle even within meaning of 1888 Convention ... what is proper method for this? Method is that

/of



of direct negotiation between interested parties".

9. The Soviet statement claims both that Nasser merely took over an Egyptian concern and also that by nationalizing Company he ended "domination of foreign capital". In this context it should be noted that Nasser's justification for nationalizing Company was that he could not get enough foreign capital to build the Aswan Dam.

10. Last paragraph of Soviet statement expressed conviction that dispute can and should be settled by peaceful means in accordance with legitimate interests of those concerned. This is also conviction of United Kingdom Government. It only requires goodwill on Nasser's part.

COMMONWEALTH RELATIONS OFFICE MEMORANDUM  
DATED 13TH AUGUST, 1956.

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CONFIDENTIAL

AUSTRALIAN HIGH COMMISSION,  
KARACHI.

In reply quote No. 508/2.

Memo No. 968/56.

12 AUG 1956

167/4/7/3/3

CANBERRA

7th August, 1956.

The Secretary,  
Department of External Affairs,  
CANBERRA.

Pakistan and the Suez Canal.

1. In discussing my interviews with the Prime Minister, and conversations with Mr. Baig (as reported in memorandum No. 931 of 3rd August 1956) with my United Kingdom colleague, the latter told me that, in a discussion with Baig after the latter's statements to the press on 1st August, he had asked Baig whether he could define Pakistan's policy in relation to the present Suez Canal problem. Baig said that the unofficial policy, to which public expression could not be given, was that they saw no justification for Nasser's action which they regarded as a definite breach of an international agreement and fraught with potential dangers to Pakistan and her friends, as Nasser's word could not be relied on. He said that the official policy was as stated in what he had said to the Press (and in the letter to me attached as appendix "B" to memorandum No. 931), plus participation in an international conference when arranged. He said that Pakistan had to keep in mind not only domestic feeling in Pakistan but the attitude of other Moslem countries - and India. He said that, if the Pakistan Government openly and completely aligned themselves with United Kingdom policy in this matter, their opponents both inside and outside Pakistan would label them as "Imperial" or "British stooges".

2. We both came to the conclusion that, while there was considerable force in Baig's contention and views, it was possible that the change in the Cabinet decision (discussed in paragraphs 6 and 7 of my memorandum No. 931) was partly at least due to the fact that the Egyptian Ambassador has the ear of one or two Cabinet Ministers here (including, it is believed, Chundrigar, who has been Acting Prime Minister, and Kyani the Minister of Communications). He certainly has been very active in the two days since he returned from Cairo.

3. Since the above was written, I called to see Mr. Baig at the Foreign Office at about midday on 4th August. He said that he was then awaiting the Cabinet decision on the invitation to the Conference, adding that "they have now been discussing it for two hours". I suggested that unconditional acceptance was in Pakistan's interests if only because the Pakistan government had already expressed (in his statements to the Press) their concern in the consequences of Nasser's action and that if they did not accept unless Egypt did, this would be interpreted to mean that they were now quite prepared to leave matters entirely in Nasser's hands. Baig said that he had already urged the Prime Minister (who favoured unconditional acceptance) to use this argument against the element in the Cabinet who wanted to "wait and see". Baig promised to

*Copy to Mr. Baig*  
*Mr. Llewellyn*  
*Mr. Tuck*  
*File (2)*  
*16/8*

68

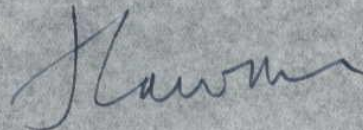
CONFIDENTIAL



CONFIDENTIAL

- 2 -

telephone me when he got the decision. He did so at 4 p.m. and our telegram No. 229 was despatched in consequence. It is obvious that the Prime Minister must have had a long struggle. It may be of interest to note that the President, when I saw him the previous evening, had remarked that he had told his Ministers that they could hardly complain of Nehru abrogating unilaterally the agreement to settle Kashmir by plebiscite if they themselves "meekly acquiesced in Nasser's brigandage".



High Commissioner.

CONFIDENTIAL

67



163/4/7/3/3



DEPARTMENT OF  
EXTERNAL AFFAIRS

14 AUG 1956

CANBERRA.

AUSTRALIAN EMBASSY,  
THE HAGUE.

15/1/7

Hague Memorandum No. 398

7th August, 1956

Department of External Affairs,  
CANBERRA - A.C.T.

SUEZ CANAL

The Suez Canal crisis continued to provide most of the material for editorial comment which has appeared in the Netherlands press during the last week.

2. Most comment criticized the period taken by the Big Three to come to a decision as to the action to be taken, and saw in this delay a lack of unity which would work to Nasser's advantage. Particular attention was paid to American intentions, and the possibility of the United States remaining neutral in the affair was not overlooked.

3. The decision to hold the 24-Nation Conference was welcomed, and the plan to internationalize the Canal has been regarded in the press here as the only effective means of safeguarding the interests of all concerned. It is considered that the plan as enunciated for the internationalization of the Canal can allow Nasser to "save face", and the press expresses satisfaction that a decision of a non-military nature has been reached. At the same time, however, editorial comment in several of the leading papers stresses that if the suggested plan is not accepted by Egypt the West will have no alternative but to apply economic and financial sanctions and even perhaps to take recourse to military action.

4. More recent comment points out that Nasser's decision to nationalize the Suez Canal has actually placed a burden on Egypt, and instead of solving an economic crisis it can only increase Egypt's economic problems.

Necessity for

5. / firmness of action seems to be the general tone of press comment, in the first place because the Suez Canal is of great importance to many countries and passage through it cannot depend on the whim of one man, and secondly, that if Egypt is allowed to "get away with it" all other Arab countries may feel encouraged to emulate the "inspiring" example of Nasser.

*Copy to  
C. J. Hume  
16/8*

*J. J. Hume*

Secretary of Embassy

66

*FG*



163/4/7/3/3



In reply quote No. 221/1/1

Memo. No. 997/56

14 AUG

AUSTRALIAN COMMISSION,  
48 AMPANG ROAD,  
KUALA LUMPUR.

10th August, 1956.

The Secretary,  
Department of External Affairs,  
CANBERRA.

EGYPTIAN OFFICIAL REFUSED ENTRY TO SINGAPORE  
CHIEF MINISTER'S COMMENTS.

On 8th August Captain Hassan Abdel Al Nayel, an emissary from the Supreme Council of the Muslim Congress in Egypt, left Singapore for Cairo by air after having been refused permission to remain in the Colony.

2. According to the "Straits Times" of 10th August the Chief Minister of the Federation said in Kota Bharu on 9th August that he agreed with the Singapore Government's decision to refuse a visitor's visa to Captain Hassan. The Chief Minister said that the decision was quite in order in view of the strained political relations between Britain and Egypt over the Suez Canal issue. It would have been embarrassing both to the Rulers and to Captain Hassan himself had the visit been approved since it might have been suspected that the aim of the visit was to win the sympathy of the Malay Rulers for the Egyptian cause. The Tengku is reported to have added that he knew this was not the object of the visit because the Muslim Congress, in which Egypt had taken a leading part, had had close connections with Malayan Muslims and had in fact given donations to the Malayan Muslim College.

3. I understand that the Chief Minister's comments were not made in an official statement but were apparently made off the-cuff to the Straits Times reporter.

*D. J. Horne*

(D. J. Horne)  
Second Secretary.

POL274/1  
SECRET



163/4/7/3/3

J.C.G. Kevin, Esq.,  
Department of External Affairs,  
CANBERRA, A.C.T.

*With the Compliments  
of the  
Official Secretary*

1 copy of Telegram No. 27 - Suez.

Office of the High Commissioner  
for the United Kingdom,  
Canberra, A.C.T.

*M. Smith*

*See  
Plimack  
14/8/56*

*Mr. Bellingham*

*14/8*

*File*

14th August, 1956.

National Archives of Australia

NAA 1838, 163/4/7/3/3 PART 4



# TELEGRAM

POL.274/1

'3'

From: THE HIGH COMMISSIONER FOR THE UNITED KINGDOM, DELHI  
THE SECRETARY OF STATE FOR COMMONWEALTH RELATIONS

To: THE HIGH COMMISSIONER FOR THE UNITED KINGDOM, CANBERRA

Despatched: 01.35, 11th August, 1956.

Received: 08.30, 12th August, 1956.

TELEGRAM NO. 27, SECRET

Addressed Secretary of State for Commonwealth Relations No. 1049;  
priority to United Kingdom Ambassador Cairo No. M.255; routine to United Kingdom  
Ambassador Washington No. 4; United Kingdom High Commissioners Karachi No. 324,  
Colombo No. 39, Canberra No. 27, Wellington No. 22, Ottawa No. 49 and Saving to  
United Kingdom High Commissioner Pretoria No. 54 (Commonwealth Relations Office  
please pass all except Karachi).

My immediately preceding telegram. Following is text. BEGINS.

The Government of India have received the "proposal for the establishment  
of an international authority for the Suez Canal" delivered to them by the High  
Commissioner for the United Kingdom in New Delhi. They fear that these proposals  
are not likely to form a basis for a peaceful settlement. They disregard not  
only Egypt's national sovereignty but even the element of Egypt's co-operation  
which is essential for maintaining the purposes of the Convention of 1888.

The proposals also are not within the scope of the previous international  
agreements of 1856<sup>1888</sup> and 1954, nor can they in fact offer any prospect of ensuring  
the efficient functioning of the Canal in which the Government of India have  
interest and concern.

The proposed constitution and Powers seek to replace the Suez Canal Company  
by this new authority which however is to have a status and extra territorial  
powers which the Company never had and the agreements did not provide and which  
cannot be effected without Egypt's agreement or by an act of force.

These proposals also seek to repeal nationalisation and to assume all  
authority over the Canal it being provided that they would arrange to pay a fair  
compensation to the Suez Canal Company which is not an Egyptian interest.

Egypt is to be ensured an equitable interest by the authority while the  
Canal, it has never been questioned, is an integral part of Egypt.

The legitimate rights and interests of Egypt to whatever is made in these  
proposals cannot be maintained if the other parts of them<sup>are</sup> are to be carried  
out.





# TELEGRAM

From: THE SECRETARY OF STATE FOR COMMONWEALTH RELATIONS

To: THE HIGH COMMISSIONER FOR THE UNITED KINGDOM, CANBERRA

Despatched:

Received:

-2-

The Government of India hope and trust that the sponsoring countries would review their position and agree to make an approach to this problem which would render negotiations and settlement possible. They agree and are concerned to ensure that the Canal shall be free and open for neutral passage as in the Convention of 1888. But this Convention must be revised ? now as also the succeeding agreements.

The Government of India are also concerned by the recent statement on behalf of the United Kingdom Government attributed to a Foreign Office spokesman which may convey the impression that the conference is for the purpose of implementing the decisions reached by the sponsors.

The Government of India have made it clear that they cannot accept these restrictions on the basis contained in the joint communique. Their decision to participate in the conference has been actuated by the desire to assist in the lowering of present tensions for an approach which will lead to a peaceful settlement no less than out of regard and goodwill to the United Kingdom who conveyed them the invitation.

The Government of India continue to believe that given a calmer atmosphere and a more conciliatory approach a solution may not be beyond attainment. It is their desire to co-operate in this effort and to seek to persuade all parties concerned to adopt their approach.

They request the Government of the United Kingdom to treat this as an earnest of their desire and express the hope that the Government of the United Kingdom will take and respond to initiatives of conciliation. Ends.

HIGH COMMISSIONER

62



163/4/7/3/3

PRESS

DEPARTMENT OF EXTERNAL AFFAIRS. UNCLASSIFIED

...:SH

**OUTWARD CABLEGRAM** 1050

TO:

Sent. 14th August, 1956  
1415

Australian High Commission,  
K R C H I

283. UNCLASSIFIED IMMEDIATE

Text of London television statement on  
Suez by Mr. Menzies (take in text of cable 2208, inwards  
no. 10714/15/16, from London).

(COST £7.7.10)

A/MIN & DEPT. E.A.  
P.M.'s

15th August, 1956

SEC A/S's UN ERO CR P.C&EM M&SP S&SEA SA  
ELF&E LF&ME INF BL C&P L&A(DIV.5) MT

6r

RESTRICTED

CABLEGRAM.

I. 10714/15/16.

VA:BGH:ABK:OA.

Sent: 13th August, 1956.  
1515

FROM:

Recd: 14th August, 1956.  
0830

Australian High Commission,  
LONDON.

2208.

RESTRICTED.

IMMEDIATE.

Fadden from Menzies.

Text of television statement on Suez I am to make to-  
night at 7.10 P.M. London time begins -

Colonel Nasser's action in respect of the Suez Canal  
Company has created a crisis more grave than any since the second  
World War ended.

The Leading Trading Nations of the World are all vitally  
concerned.

You in Great Britain are concerned for a threat to the  
Suez Canal will, if not resisted, encourage other acts of lawless-  
ness and so reduce the economic strength of your country that the  
whole standard of living may be drastically reduced.

This comment excludes the effect upon Britain's prestige  
and authority in the world. It is apparently not fashionable  
to speak of prestige. Yet the fact remains that peace in the  
world and the efficiency of the United Nations Charter all require  
that the British Commonwealth, and in particular its greatest and  
most experienced member the United Kingdom, should retain power  
prestige and moral influence.

So far there may be considerable measure of agreement,  
but I have been interested to observe, in both the United States  
and in London, a disposition in some private quarters to find  
legal virtues in what Nasser has done, and to accuse National  
Leaders either of trying to deny to Egypt its so called legal  
right to nationalise the Suez Canal or of prematurely dealing  
with the risk of stoppage which may never arise.

"And thus the native hue of resolution is sicklied  
o'er with the pale cast of thought".

Tonight I do not want to repeat what your own Prime  
Minister has already said on the broad nature of the issue. But  
I would like to discuss very briefly the arguments of those who  
honestly find themselves beset by intellectual doubts.

Not that I believe that the problem is purely or even  
mainly a legal one. On the contrary it concerns great questions  
of International Policy on which our views must, at our peril,  
be sensible, robust and firm.

First a few words about the position internationally  
of the Suez Canal, a trade life line for hundreds of millions  
of people, not only in Europe but in great new nations south and  
east of the Canal including my own country of Australia.

The Canal was not built by Egypt. It was the product  
of the bold vision and engineering genius of a Frenchman

RESTRICTED

/ De Lesseps



RESTRICTED

DEPARTMENT OF EXTERNAL AFFAIRS.

**INWARD - CABLEGRAM.** 1. 2074/15/16.

De Lesseps and the financial resources of a Company whose shareholding was and is (subject to Nasser's recent action) international.

The then Government of Egypt granted to the Company a concession on stipulated terms not due to expire until 1968.

The Suez Canal Convention of 1888, by which Egypt was bound, contained an express recital that it was desired to establish "a definite system destined to guarantee at all times and for all the powers the full use of the Suez Maritime Canal".

The validity of the convention and that of the concession granted to the Company has never been challenged by Egypt.

On the contrary the Convention was expressly upheld only two years ago by the Anglo Egyptian Treaty of 1954, while as recently as June of this year the Egyptian Government in its last financial agreement with the Company acknowledged the duration and international character of the concession and of the system under which the Canal was run.

Yet on 26th July, 1956, less than two months later Nasser signed and announced a law purporting to nationalise the Canal Company.

But "nationalisation" is only a political term.

What he did, expressed precisely, was to repudiate Egypt's contractual obligations under the concession without consultation and without agreement.

International Law is not a precise body of jurisprudence. It is always in the making. But if there is one thing clear it is that National contracts with Governments or citizens of other nations must be carried out unless there is legal excuse for non-performance. If this were not so all talk of International Law has become meaningless on the very threshold.

Nasser has therefore begun by violating the first principle of International Law. For people to conceal or excuse this violation by talking about the General Power of Governments to **expropriate** property within their own boundaries is therefore both irrelevant and assured.

If at any time, and for any reason of real or supposed self interest, a nation could claim that its sovereign rights entitled it to set treaties aside or violate international contracts all talk of or reliance upon international law would be a sham.

Let me take an important example.

The Panama Canal was constructed by the United States on land belonging to the Republic of Panama, a perpetual lease of the land being granted to the United States of America for that purpose.

If Nasser can validly terminate 12 years ahead of time the concession granted to the internationally owned Suez Canal Company because forsooth he claims an unfettered right to "nationalise" as part of Egyptian sovereignty then Panama, equally sovereign could if it cared to abandon its own traditional

RESTRICTED

/ standards



## INWARD CABLEGRAM.

- 3 -

I. 10714/15/16.

standards of conduct validly terminate its perpetual lease to the United States, take over the Panama Canal and collect the dues.

It is little wonder that the American Administration regards the Nasser action with such gravity.

A leading London Journal yesterday said "the weakness of our legal position is that the Egyptian Government has a perfect right to nationalise the Suez Canal Company".

I have already advanced one powerful reason for the view that this statement is based upon a misconception of nature and the significance of the actual steps taken by Nasser and of first the principle of International Law.

But in the time I have left let me point out to what strange conclusions this uncritical acceptance of the so-called right to nationalise will lead.

First it is common ground in France, the United Kingdom, the United States and other nations including my own that the forthcoming conference should aim at some new international arrangement ensuring the continued use of the Suez Canal as an International waterway. Let us suppose that such an arrangement is made and agreed to, and that under conditions which fully recognise Egyptian sovereignty and protects Egypt's legitimate financial interests a joint authority is set up under long or perpetual lease to conduct and stabilise the use of the Canal and its facilities.

And then suppose that at some future date the Egyptian Government says "we denounce this agreement. We nationalise the operation of the Canal".

Will we once more be told that Egypt is legally correct and that no international agreement can stand in the way of her sovereign rights? If such nonsense is the law why have any international agreements at all?

Associating the agreement with the United Nations will make no difference. For if such agreements can validly be set aside by one nation for its own purposes in the name of its sovereign rights within its own territory the position will be the same whether the agreement is made in London or recorded in the archives of the United Nations in New York.

Second there are those who having upheld the "right to nationalise" go on to say "in any case Egypt has not yet prevented our ships from using the Canal".

True but what will these critics have us do if and when Egypt does? Will we not once more be told that Egypt's sovereign rights include the right to deny the use of the Canal despite any agreement to the contrary including both the new agreement and the convention of 1888?

You see that these so-called intellectual arguments and hesitations come down to this, that whatever Egypt does or may do we can and must do nothing. I do urge clear thinking on these matters. We are about to try to deal by negotiation with a matter which is vital to the trade and economics of a score of nations. To leave our vital interests to the whim of one man would be suicidal. We in Australia applaud the statement made

RESTRICTED

/ by France,



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DEPARTMENT OF EXTERNAL AFFAIRS.

**INWARD CABLEGRAM** 1. 163/4/15/16.

by France, the United Kingdom and the United States. We support the conference. We cannot accept either the legality or the morality of what Nasser has done. We believe that if the Canal is to serve its growing purpose and be expanded and improved for a rapidly growing traffic, its future must be assured and guaranteed on such terms as will enable future money to be invested in it with fully protected safety and its great functions to be performed in an assured peace.

-----  
A/P.M & DEPT.  
A/M & DEPT. E.A.  
A/MIN & DEPT. TRADE (C)  
TREASR & TREASY  
MIN & DEPT. S. & T.  
P.M'S.

14th August, 1956.

57

RESTRICTED

DEPARTMENT OF EXTERNAL AFFAIRS.  
**OUTWARD CABLEGRAM.**

**SECRET**

163/4/7/3/3.

SHA:CM

O. 11008

Sent: 13th August, 1956.  
1450

TO:

Australian High Commission,  
LONDON.

1843. SECRET.

For External.

For Menzies from Casey.

In examining the document made available to us by both the British and the Americans headed "Principles Agreed by the U.S.A., U.K. and France as a Framework for Discussion of the Suez Canal Problem", it seems to me that two different interpretations of this document are possible. It might be held that the three Powers assume that the equity in the Suez Canal might be allowed to rest with Egypt, but that the running of the Canal should be put in the hands of an international authority. Or, alternatively, it could mean that the equity in the Canal should be transferred from the old Suez Canal Company to the new international authority. From the point of view of the acceptability of the whole conception to Egypt, the first interpretation would seem to hold more promise than the second.

2. If you agree with the above, you may find it possible to advance this view with the U.K. people. I would believe that it would make things appreciably easier with a number of other countries.

3. As to the position of Egypt in the new international authority, she would of course be on the new authority. It might even be possible to give Egypt what would appear to be an important position.

4. I am drafting this very hurriedly on the eve of leaving Sydney. There is, of course, a great deal more to be said, but I wanted to get this idea to you, if it has not already occurred to you.

-----  
A/MIN. & DEPT. E.A. (163/4/7/3/3.)  
P.M'S DEPT.  
MIN&DEPT. DEFENCE.  
P.M'S

Cost £19-1-8  
14th August, 1956.

SEC A/Ss L&T(Div.5) UN ER CR PAC&AM AM&SP S&SEA  
SA E.A.F&ME E AF&ME INF DL C&P MT  
G.

**SECRET**



DEPARTMENT OF EXTERNAL AFFAIRS.

SECRET

163/4/7/3/3

HMCC

INWARD SAVINGRAM

Dated: 30th July , 1956.  
Rec'd: 13th August, 1956.  
1620

FROM:-

Australian Embassy,  
R A N G O O N.

SAV. 5. SECRET.

Suez Canal.

British Ambassador on 28th July on own initiative sent to the Foreign Minister texts of British Note of Protest given Egyptian Ambassador London on 27th June and Eden's statement that day. The Ambassador said:

"You will note that Sir Anthony Eden drew attention to the breach of concession agreements involved in this unilateral decision and also that leaders of all political parties concerned in condemning it.

It will be immediately apparent that this step will affect the interests of all countries dependent in any way on trade through the Canal. "

-----

A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE  
A/MIN. & DEPT. TRADE (C)  
TREASURER & TREASURY  
MIN. & DEPT. S. & T.  
P.M.'S.

14th August, 1956.

SEC A/Ss L&T(DIV.5) UN ER CR PAC&AM EA AM&SP  
S&SEA SA SEA EAF&ME E AF&ME INF DL M.T. C&P

G

55

SECRET

FA

13/8

Also, I think Walker should be provided with a copy just in case. Spender?

10/8

→ ~~MPKunri~~

~~Mr Landels Es. please  
come to Bath - In~~



POL. 274/1.



63/47/3/3

*With the Compliments  
of the  
Official Secretary*

(Copy of telegram Y No. 160  
from C.R.O. London, dated  
11th August, 1956.)

Office of the High Commissioner  
for the United Kingdom,  
Canberra, A.C.T.

Mr. Buckingham

McLaudat was  
956. F 11 526

13th August, 1956.

# TELEGRAM

POL.274/1

'S'

From: THE SECRETARY OF STATE FOR COMMONWEALTH RELATIONS

To: THE HIGH COMMISSIONER FOR THE UNITED KINGDOM, CANBERRA

Despatched: 17.55, 11th August, 1956.

Received: 08.30, 13th August, 1956.

TELEGRAM CIRCULAR Y. NO. 161, CONFIDENTIAL

Telegram Circular Y. No. 161 airmail, United Kingdom High Commissioner Pretoria, repeated United Kingdom High Commissioners Delhi and Karachi and airmail United Kingdom High Commissioner Colombo.

My telegram Circular Y. No. 155.

## SUEZ.

Following are comments of United Kingdom Ambassador in Moscow on Soviet Note and statement (my telegram Circular Y. No. 159). Soviet Note and declaration are clearly meant to leave all doors open. Declaration says that Soviet Government "will send a representative to Conference". But Note does not repeat this. It is possible that Soviet Government has timed this qualified acceptance to parry an Egyptian refusal and that if latter occurs Soviet Government will say that this creates new situation justifying a reconsideration of their acceptance. It would depend on attitude of Indian Government in such circumstances but on whole I am inclined to believe that if we decided to go ahead on 16th August without Egypt Soviet Government would probably send a representative. Representative would probably be at a fairly low level; Shepilov himself would not go (see paragraph 4 of my telegram Circular Y. No. 146) and Malik who is now here for Japanese negotiations told me he would be taking leave when these negotiations were over and that Shepilov had told him there was no question of his having to return to London on account of Suez.

2. In any case it perhaps hardly matters much whether in these circumstances a Soviet representative turns up or not; he would only come to sabotage.

SECRETARY OF STATE.

53



## TELEGRAM

From: THE SECRETARY OF STATE FOR COMMONWEALTH RELATIONS  
 To: THE HIGH COMMISSIONER FOR THE UNITED KINGDOM, CANBERRA  
 Despatched: 16.42. 10th August 1956.  
 Received: 08.30. 11th August 1956.

PRESSETELEGRAM CIRCULAR Y NO. 159.

Addressed circular Y159 repeated United Kingdom High  
 Commissioners Delhi, Karachi, Colombo.

My telegram circular Y No. 155.

S U E Z.

Text of lengthy statement issued by Soviet Government  
 on 9th August is presumably available to you.

2. Statement was forwarded to United Kingdom Ambassador  
 under cover of a note translation of which is as follows. BEGINS

The Ministry of Foreign Affairs of U.S.S.R. present  
 compliments to British Embassy and in connection with statement  
 of Governments of Britain, France and United States of August  
 2 on questions concerning nationalisation by Egypt of Suez  
 Canal Company and invitation transmitted to Soviet Government  
 by British Government to take part in the Conference which it  
 was proposed to convene in London on August 16th 1956 have  
 honour to enclose for transmission to British Government text  
 of statement of Soviet Government on Suez Canal question.  
 Soviet Government consider that under all conditions following  
 countries apart from those mentioned in statement of Govern-  
 ments of the Western Powers of August 2nd should also take  
 part in discussion of questions connected with freedom of  
 navigation on Suez Canal successor-countries of ~~Australia~~-  
 Hungary, German Democratic Republic, Czechoslovakia and  
 Yugoslavia, Arab countries geographically situated in direct  
 proximity to Suez Canal and vitally interested in a correct  
 solution of this question, Yemen, Jordan, Iraq, Lebanon, Libya,

....Morocco,/

52



# TELEGRAM

From: THE SECRETARY OF STATE FOR COMMONWEALTH RELATIONS

To: THE HIGH COMMISSIONER FOR THE UNITED KINGDOM, CANBERRA

Despatched:

-2-

Received:

Morocco, Saudi Arabia, Syria, Sudan and Tunis and also maritime powers extensively using Canal, Albania, Burma, Bulgaria, Poland, Roumania and Finland. Soviet Government consider necessary participation in above-mentioned Conference of such a great power as Chinese Peoples Republic. Soviet Government hope that British Government will not place obstacles in way of participation in this Conference of States named if they themselves consider that necessary. At same time Soviet Government wish to draw attention of British Government to the fact that according to Convention of 1888 a Conference to discuss questions connected with functioning of Canal should have taken place in Cairo. Concerning date of Conference it would be expedient in interests of better preparation to convene it at end of August. Drawing attention to foregoing Ministry request Embassy to inform British Government that statement of Soviet Government is simultaneously being sent to Governments of all countries. ENDS.

SECRETARY OF STATE.

51



## EXTERNAL AFFAIRS.

*Mr. Furlong*  
**SECRET** *for file*  
*13/8*

File No.

*163/4/7/3/3*

Date 31st July, 1956

SUBJECT

SUEZ CANAL AND ASIAN OPINION

FOR MR PLIMSOLL  
MR KEVIN *mm*

I would suggest that Australia should not do anything to discourage the United Kingdom from making it clear that she is prepared to use force to ensure the free use of the Suez Canal. Asians would publicly oppose the use of force, but if the West fails to provide for the protection of the Canal the effect on Asian opinion would in the long run be much more disastrous than the effects of such public opposition. In spite of the vociferous anti-colonialism and anti-Westernism that is current, Asian attitudes towards the West are still in the last resort governed by their estimate of the power it still wields. The free use of the Canal is one of Asia's vital interests and if the West cannot protect it the conclusion will be drawn that there is little that the West is in future likely to be willing or able to do for Asia. Malaysians and Singaporeans for example will tend to conclude that it will only be a matter of time before the U.K. gives up Singapore and Malaya. The trend towards neutralism and accommodation with the Communists would consequently be increased. On the other hand, if firm action were taken by the Western powers in regard to the Suez, the belief in Western power would be to some extent rehabilitated.

2. This is not of course to say that the United Kingdom should take precipitate action now. But if it was made plain that the United Kingdom, France and the United States were prepared to take military action if the Egyptians indulged in any discrimination, it is possible that several Asian countries would in practice acquiesce - especially if it were made clear that an international regime would be established with which Asians would be associated.

*Mr. Booker*

(M.R. Booker)

50

*leave  
J. Plimsoll  
1/8/56  
11/13/56**Mr. Laidlaw  
Mr. Plimsoll  
to File***SECRET**

CONFIDENTIAL  
163/4/7/3/3

DEPARTMENT OF EXTERNAL AFFAIRS.  
**OUTWARD CABLEGRAM.**

ABK:CM

O. 11017

Sent: 13th August, 1956.  
1640

TO:

Australian High Commission,  
LONDON.

1844. CONFIDENTIAL. PRIORITY.

For McIntyre.

London Conference.

Four copies of brief for conference despatched to you in safe hand bag 72 per Qantas flight 533024, E.T.A. London p.m. 14th August. Please pass copy to Brown for Prime Minister.

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A/MIN. & DEPT. E.A.  
P.M.'S DEPT.

Cost £4-1-8

14th August, 1956.

SEC A/Ss UN PAC&AM S&SEA E.AF&ME@ E AF&ME INF  
C&P



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DEPARTMENT OF EXTERNAL AFFAIRS.

INWARD SAVINGRAM.

BGH:ABK.

I. 10697/98/99.

Dated: 6th August, 1956.  
1950.  
Rec'd: 13th August, 1956.  
1215.

Australian Embassy,  
WASHINGTON.

SAVINGRAM 260. CONFIDENTIAL.

Embassy

United Kingdom/Political Summary for the week ending  
3rd August, 1956, No. 563 Savingram to the Foreign Office.

The President.

On August 1st, Mr. Eisenhower held a press conference, the first since his operation on June 9th. To the reporters present he appeared thinner and "a little tired" and his voice sounded less robust. Asked about his health he replied "I feel good, but I don't feel as well as I did before the heart attack". He said he had no doubts about his ability to bear the burdens of the Presidency for another four years. It remains to be seen whether his remarks will still the "spreading uneasiness about the rate of his recovery" noted by a growing number of commentators.

2. Presidential Campaign.

Mr. Stassen is continuing his campaign to secure the Republican Vice-Presidential nomination for Mr. Herter (Governor of Massachusetts). To silence suspicions that he had a personal axe to grind, he has publically foreclosed "for ever and ever" any consideration of his own name for President or Vice-President. His lonely struggle suffered a further setback when on August 2nd Mr. Herter declared that "no Delegate at the Convention will place my name in nomination with my consent". After a meeting between Mr. Eisenhower and Mr. Stassen, the White House announced that the former had "requested a leave of absence...for four weeks", and that his request had been granted to allow him "the time and the opportunity to pursue certain political activities without involving his position or the White House". Subsequently at his press conference, Mr. Eisenhower refused to be drawn any further. He again praised Mr. Nixon, said that Mr. Stassen had a right to express his won political beliefs and preferences, but declined to express any preference for a running-mate", I...uphold the right of the Delegates to the Convention to nominate whom they choose. Meanwhile Mr. Hall, Chairman of the Republican National Committee, has to some extent changed his tune. He has given up predicting flatly that there will be an Eisenhower-Nixon ticket and said the Convention will be "open". Few Commentators believe that Mr. Stassen has seriously prejudiced Mr. Nixon's chances of renomination, nevertheless his activities have sufficed to awaken fresh interest in a convention whose outcome at one time seemed pre-determined.

3. Meanwhile on the Democratic side there has been some closing of the ranks. On July 31st, Mr. Kefauver withdrew his candidature for the Democratic Presidential nomination and threw his support to Mr. Stevenson. The "New York Times" reflected majority opinion in describing his move as "an unexpected but logical development from the results of the spring primaries, especially the California contest that gave the Tennessee Senator a knock-out blow". Although Mr. Harriman has said that he will fight to the finish, Senator Kefauver's decision leaves him with no real hope and Mr. Stevenson's

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## INWARD 2 SAVINGRAM.

nomination is now taken for granted. Interest has switched to the Vice-Presidential nomination for which Senator Kefauver is likely to be a contender.

Egypt.

4. Egypt's seizure of the Suez Canal has aroused more comment than any other Foreign issue this year. The great majority of Commentators have taken the line that United States' interests are directly affected and many are conscious that American actions precipitated the crisis. "The Christian Science Monitor" expressed a widely held view with its statement that "it is important that the United States support the actions taken by Britain and France... After all the crisis was precipitated by Washington's justified reversal of its offer to help finance the Aswan Dam and America has an historic interest in the freedom of the use of International sea lanes-intensified by the fact that its ships, principally tankers, are the second largest users of the Suez Canal". Several newspapers have pointed out that other American interests in the Middle East may be affected by the way the Suez question is handled. "The other Arab States are calling this piece of criminality a "heroic" act ... that could well mean other grabs elsewhere. (They) may start confiscating Foreign Oil Company properties if Nasser is allowed to get away with this steal" ("Wall Street Journal"). At his press conference on June 9th, the President said "the great problem is to make certain of the continued efficient use of this great waterway whose importance is not confined to the neighbouring countries of Europe but (which) is vital to our economy and to our future welfare".

5. Mr. Eisenhower's decision to send Mr. Dulles to take part in the London Conference was widely welcomed. Throughout the Conference he was generally thought to be "exercising a moderating influence" on the United Kingdom and France. The Three-Power communique of August 2nd was welcomed as "the only sane step possible at this time". Many newspapers took it to show that "calmness and common sense have come into the debate in spite of warlike talk and militant moves" ("New York Times"). There was wide approval of the way in which the communique concentrated on "the basic issue" namely an international guarantee that the Canal would be kept open for the shipping of every Nation at reasonable tolls while tactily accepting the principle of nationalisation.

6. Commentators are now speculating about the chance of setting in motion the proposed 24 Nation Conference. The responses of Egypt and Soviet Russia to the Three-Power invitation are thought to be crucial. No one is unduly sanguine and people have begun to consider what should be done if President Nasser proves unwilling to negotiate on International guarantee. The Administration's current thinking was stated by Mr. Dulles in a Nation wide radio and television broadcast a few hours after his return to the United States on August 3rd. With the President at his side he declared it "inadmissible that a waterway internationalised by a Treaty, which is required for the livelihood of a score or more of Nations, should be exploited by one country for purely selfish purposes." Mr. Dulles went on to say "we are not thinking in terms of the Conference's failing. But... we have given no commitment as to what the United States would do in that unhappy contingency". Some responsible newspapers have taken the line that if President Nasser should "scorn to attend" the Conference or if he should reject the principle of International supervision "he will be inviting further action to take the Canal from his exclusive control" ("Philadelphia Enquirer"). Both the "Washington Post" and the "Scripps-Howard Press" believe that it

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DEPARTMENT OF EXTERNAL AFFAIRS.

INWARD 3 SAVINGRAM 15/08/99.

should be made clear to him that "if he should demure, the Canal will be kept open by force if necessary" ("Post"). The majority of Commentators however are reserving judgement or expressing ambiguous views. "this is not a matter to be settled by force. Nor is it one in which an unjust or unwise unilateral settlement -- or a unilateral breach of contract -- can be meekly accepted by all concerned," ("New York Times"). "American opinion...will hardly support any gesture which seems to imply a threat to recapture the Canal by force...(but) it is important that (Nasser) be made to realise that the West is in earnest in insisting on its vital rights and interests" ("Philadelphia News Bulletin"). In a typically gloomy article, the Alsop Brothers have said that "the British probably will not use force without American backing. This is an election year. Thus the betting is about ten to one on a policy of waffling and the grumbling acceptance of another major setback for the weakening West. "Only the "Isolationist Press" continues to oppose American involvement of any kind -- "lets on no account allow the squash-Nasser buck to be passed to us by fast talkers in London and Paris" ("New York Daily News"). Meanwhile there has been little direct comment on the British-French precautionary military measures save for isolated objections on the grounds that they make it psychologically more difficult for President Nasser to agree to attend the proposed Conference.

Burma.

7. It is widely thought that Red China's incursions into Northern Burma should not be interpreted at this point as an "attempt to invade the country and to overthrow its Government", ("New York Times"). Nevertheless they are seen as "a cause for serious alarm", ("New York Herald Tribune"). "Once again the World is witness to the unaltered purposes of Communist force to probe every weak spot along the Red perimeter. If they are not met with force and repelled they will exploit rapaciously" ("St. Louis Globe Democrat"). Many Commentators are wondering how Mr. Chou En Lai will reconcile China's behaviour with his "five principles", and several hope that the incursions may "sound a tocsin in other Asian countries which have thought that the way to live in peace with China is to disdain any collective security". "Whatever the explanations this invasion must give neutrals such as Burma's Premier U Ba Swe, India's Nehru and Indonesia's Sukarno something to think about", ("Christian Science Monitor"). Several papers have suggested that Burma should appeal to the United Nations or to the S.E.A.T.O.

MIN. & DEPT. E.A.

13th August, 1956.

SEC A/Ss UN ER CR PAC&AM EA AM&SP S&SEA SA SEA E.AF&ME  
E AF&ME INF DL MT C&P.

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221/1/1.  
232/12



Memo No. 834/56.

EMBASSY,  
AUSTRALIAN LEGATION,  
BANGKOK.

10th August, 1956.

The Secretary,  
Department of External Affairs,  
CANBERRA. A.C.T.

NATIONALISATION OF THE SUEZ CANAL - THAI ATTITUDE

At present the Government is happily sitting on the fence. It is relieved that it has not been invited to the London Conference since this might have involved public expression of a policy and possible disagreement with either the Western Powers or with a prominent member of the Arab-Asian Group. Public statements by the Prime Minister and Prince Wan confirm this assessment. The Prime Minister refused to be drawn, at his press conference last week, beyond saying that Thailand would abide by a decision of the United Nations "should there be one". In comment to the press last week, Prince Wan was reported as saying:

".... South East Asia is interested in the freedom of navigation through the Suez Canal and this freedom should not be affected by the nationalisation of the Canal by Egypt.. The effect of such nationalisation on the balance of power in the world and on the position of the Communists depends on developments. Not sufficient facts are available for an appreciation..... There should be direct negotiations and the adoption of other means of peaceful settlement. The rights of the United Kingdom and France should be respected. Negotiations should be undertaken before considering recourse to the Security Council..... The freedom of navigation through the Canal should be safeguarded.. It is up to the maritime powers to suggest how this should be done".

2. My British and French colleagues feel that this fence sitting attitude is about all that can be expected and they are not making further representations at present.

3. When I saw Prince Wan the other day, he was extremely cautious about committing himself to anything beyond generalities. He thought it encouraging that Nasser had spoken of accepting international obligations. He said that the London conference must be a negotiating conference and not aimed to impose the will of one group on Egypt. He was not in favour of early reference to the United Nations which would only lead to bitterness and recriminations. He thought that Nasser would be reluctant to refer to the United Nations since he must know that the Latins and many others would naturally tend to favour internationalisation. I gave Prince Wan copies of Mr. Casey's early statements on Suez. Others will be passed on as they are received.

4. I have heard of several responsible people, like Khuang Aphaiwongse, expressing concern privately at Nasser's

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move, but I have seen few public expressions of this kind. Press comments tend to be pro-Nasser.

5. A copy of this memorandum is being sent to Singapore.

*D. O. Hay*

(D. O. Hay)  
Ambassador.

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RESTRICTED

I am directed by the High Commissioner to refer to previous correspondence about the Suez Canal and to inform you that the United Kingdom Government propose the following practical arrangements for the Conference to be held in London on the 16th August:-

2. The United Kingdom Government trust that these proposals will be agreeable to the Australian Government and the High Commissioner would be grateful to receive urgent confirmation to this effect in order that he may inform the United Kingdom Government before the start of the Conference.

(SGD) A. G. R. ROUSH

THE ACTING SECRETARY,  
PRIME MINISTER'S DEPARTMENT,  
CANBERRA, A.C.T.





DEPARTMENT OF  
EXTERNAL AFFAIRS

18 AUG 1956  
163/4/7/3/3  
CANBERRA

AUSTRALIAN EMBASSY,  
BONN.

Reference: 221/12/1

1st August, 1956.

Bonn Memorandum No. 359/56

The Secretary,  
Department of External Affairs,  
CANBERRA, A.C.T.

SUEZ CANAL SEIZURE

At an informal lunch today, the Egyptian Counsellor in Bonn raised deliberately and strongly the right of his Government to nationalise the Suez Canal Company.

2. The arguments that he put forward were mainly two. The first was that the Suez Canal Company was an Egyptian company and, therefore, the Egyptian Government had an undeniable right to nationalise it or to take any other action in connection with the Company in accordance with full sovereignty of the Egyptian Government. Quite clearly, he defined an Egyptian company as any company which had its place of operation on Egyptian soil. His second argument was that the only national commitment that the Egyptian Government had in respect of the Suez Canal was that the Canal should be free to the commerce of all countries and he insisted that his Government had made it perfectly clear that this freedom would not be restricted in any way as a result of the recent action of his Government.

3. As a subsidiary point and one that had a rather illogical ring about it, he explained that in any event the assets of the Suez Canal Company would revert to the Egyptian Government in twelve years' time. As he saw it, there seemed to be no valid reason why the Egyptian Government should not anticipate this transfer by a matter of twelve years.

4. When the point was made to him that, since one agreement entered into by the Egyptian Government, whether with other governments or with the Suez Canal Company itself, had been curtly violated, it was impossible to rely on any assurance of the Egyptian Government in regard to the future freedom of use of the Suez Canal, he showed an abrupt anxiety to break off the discussion. It was rather interesting to note that, within a group consisting entirely of Asian representatives, the only one to show some support for the Egyptian Counsellor was the Ceylonese Chargé d'Affaires. The Ceylonese took the simple view that every sovereign government had the right to nationalise and that, therefore, the action of the Egyptian Government could not rightly be questioned.

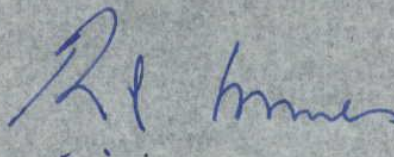
5. Upon his departure from lunch, the Egyptian Counsellor assured me that he was "at my disposal at any time" to discuss the issue of the Suez Canal further. It seems from this that the Egyptians may feel their position to be insecure and be endeavouring to take every opportunity, even in posts where the issue is not a critical one, to make their views known, especially to those Governments like the Australian, which have strongly denounced the Egyptian action.

/For the moment,



- 2 -

For the moment, at least, I do not propose to take up the offer of the Egyptian Counsellor, although, of course, I shall report anything of interest that I may hear from him fortuitously.

A handwritten signature in blue ink, appearing to read 'J. W. C. Cumes'.

(J. W. C. Cumes)  
First Secretary.

JWCO:LT

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163/4/7/3/3  
13 AUG 1956  
CANBERRA

AUSTRALIAN COMMISSIONER'S OFFICE,  
SINGAPORE.

In reply quote No.

Memo No. 1577

File No. 709/5

11th August, 1956.

The Secretary,  
Department of External Affairs,  
CANBERRA.

Singapore Reactions to the Suez Canal Crisis

The nationalisation of the Suez Canal and the subsequent developments have naturally received wide publicity and been followed with keen attention in Singapore.

2. No official statements have been issued by the Governor or by the Singapore Ministers, although the Governor has discussed the situation with the Council to explain the U.K. attitude and actions. The Chief Minister, Mr. Lim Yew Hock was asked by the Press for comment on his return from London on 8th August, but pointed out that it had been agreed that external relations should remain the responsibility of the United Kingdom Government.

3. The Regional Information Office of the United Kingdom Commissioner-General in South East Asia has, however, been active in ensuring an adequate presentation of the United Kingdom point of view, supplying to the Press texts of statements by Sir Anthony Eden, in particular his broadcast of 8th August. The Acting High Commissioner has also made suggestions to London on arguments which might appeal to the countries of South East Asia and has been feeding these arguments to local commentators, e.g. Mr. Vernon Bartlett of the "Straits Times".

4. As a result of these efforts, apart from the P.A.P. journal "Sin Pao" and sections of the Malay and Chinese Press, which have tended to endorse Egypt's right to nationalise the Canal, comments have been sympathetic towards the British position.

5. The reaction in business circles has been largely one of "wait and see". Although there was in the early days of the crisis an advance in the prices of rubber and pepper, prices have dropped slightly since Sir Anthony Eden's broadcast which has been taken as a sign of the determination of the United Kingdom Government to reach a settlement without force if possible. Shipping firms have, however, continued to take precautionary measures and it was announced on 9th August that the Peninsular and Orient Line and the British India Steam Navigation Co. had followed the lead of the Blue Funnel Line in declining to accept cargo for Port Said and other ports in the Suez area.

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6. As I have already reported, troop ships from Singapore en route to the United Kingdom via Suez have been diverted around the Cape and some steps have been taken to increase the air-lift of Servicemen and families returning to the United Kingdom and of replacements coming to Singapore. The Acting Commissioner-General sought guidance from the Foreign Office as to any precautionary steps which should be taken in the event of a breakdown of the London Conference but, as of 10th August, had received no reply. There has been no suggestion here that Australian armed forces would be affected, e.g. by relieving U.K. Naval, Land or Air Forces to enable transfers to the Middle East.

7. The Singapore Press on 8th August featured a decision by the Immigration Department to cancel the visa which had been issued to an Egyptian, Captain Hassan Abdul Al Nayel who had just arrived in Singapore as an emissary from the Supreme Council of the Muslim Congress. Captain Hassan had apparently planned to spend some two weeks in Singapore and the Federation visiting the Sultans. Although his entry had been approved before the nationalisation of the Canal, and there was no evidence that his talks were designed for anything beyond intensification of religious and general political links, it was felt inadvisable that he should be having discussions with the Sultans at the present time. The Chief Minister of the Federation, Tunku Abdul Rahman, publicly supported the action of the Department of Immigration, which is a Pan Malayan Department, and there is no indication that it has aroused any serious concern amongst the Muslim population.

8. It is difficult to speculate what the reactions in Singapore might be in the event of direct intervention in the Suez Canal Area. Undoubtedly such intervention would be exploited by the People's Action Party which has already made known its support for Egypt. Their argument would be that Singapore as a Colonial territory was being involved in hostilities which were not its concern or in which its sympathies lay with the other party. It is doubtful, however, whether there would be any active steps to take advantage of United Kingdom preoccupation elsewhere. Such a possibility cannot, however, be excluded if there were any large-scale diversion of British forces from this area to the Middle East.

  
(R. L. Harry)  
Commissioner

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3 AUG 1956  
163/4/7/3/3

AUSTRALIAN COMMISSION.  
SINGAPORE.

Memo No. 1553

8th August, 1956.

File No. 709/5

The Secretary,  
Department of External Affairs,  
CANBERRA.

Suez Canal

... With reference to my telegram No. 407,  
attached is the full text of the suggestions by  
the Acting U.K. Commissioner-General in South East  
Asia on arguments which should be used in South  
East Asia against Egyptian nationalisation of the Suez  
Canal.

*R. L. Harry*  
(R. L. Harry)  
Commissioner

Copy to Djakarta  
Ceylon  
New Delhi

*Appointed to  
to Mr. King  
London, New Delhi*

*C.R.*

*FM*

*39*

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COPY

SUEZ CANAL

The arguments against Nasser's action most likely to be effective in South East Asian countries are not those based on moral grounds, or on the preservation of the interests of the "Free World", still less of the Western nations, but on the plain self-interest of the peoples of Eastern countries. I suggest, therefore, that our propaganda to South East Asia should emphasise the following.

2. Nasser's declarations about advantages of nationalising the Canal are a fraud because:

- (a) Although he has boasted of the huge income which would accrue to Egypt, the truth is that if he maintains the Canal properly there will be a net profit of barely £10 million in addition to the £5 million which was already being paid to Egypt.
- (b) He will owe nearly £70 million for compensation.
- (c) The urgently planned enlargement of the Canal will cost £20 million in the first stage.
- (d) The Aswan Dam will cost over £400 million.
- (e) Nasser knows that he cannot himself maintain the Canal properly for lack of efficient technicians, as is shown by his threat of imprisonment to employees of the Company who decline to work under nationalisation.

3. His action will therefore not enable him to:

- (a) enlarge the Canal as required.
- (b) build the Aswan Dam.
- (c) improve the standard of living of the Egyptian people.

This shows the hollowness of his bid for prestige.

4. If, as is likely, Nasser raises the Canal dues, this will:

- (a) damage the export trade of Asian countries by increasing the price in Western markets of their products passing through the Canal:
- (b) increase the price in Asian countries of the Western industrial products which they need to import for their own welfare.

5. If, on the other hand, Nasser's action leads (owing to inefficiency in the operation of the Canal or for other reasons) to diversion of ships around the Cape, there will be in addition to the higher freight charges and delayed deliveries, a general shortage of shipping which will cause a worldwide rise in the cost of charters. (Shipping agents here think that diversion around the Cape would entail a rise in freight rates between Singapore and the United Kingdom of at least 40% and would also cause a 30% reduction in cargo capacity available. Imports and exports from Europe of all countries in the Far East would be reduced by a quarter and shortage of storage capacity might force curtailment of production of items such as latex and coconut oil and possibly petroleum. Petrol rationing might be necessary).

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6. Nasser will then have lost all profits from the Canal and ruined Egypt, as well as harming East Asian countries.

7. Nasser's high-handed interference with the transit of Israeli shipping was in defiance of international agreement and specifically of the United Nations resolution of September 1951 condemning his action. No country, eastern or western, can therefore retain any confidence in Nasser's assumed responsibility for maintaining the freedom of this international waterway.

8. The foregoing shows how little Nasser deserves either the admiration or the gratitude of the Asian world.

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## INWARD TELEGRAM

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Mr Ballington

File

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163/4/7/3/3

FROM: New Zealand Ambassador, Washington  
TO: Minister of External Affairs, Wellington No.247  
D: 12 August 1956 R: 13 August 1956  
20.41 17.15

No.247

BEGINS: Following is text of White House statement.

President Eisenhower met today with the bipartisan Congressional leadership for the purpose of reviewing the Suez Canal situation. The meeting was attended by the Vice President; Secretary of State Dulles; Admiral Radford, Chairman of the Joint Chiefs of Staff; Arthur Flemming, Director of the Office of Defence Mobilization; Gordon Gray, Assistant Secretary of Defence for International Security Affairs.

The following members of Congress were present: Senate Democrats: Lyndon Johnson, Clements; George, Green, Russel. Senate Republicans: Knowland, Bridges, Milliken, Saltonstall, Wiley, Alexander Smith. House Democrats: Rayburn, Albert, Morgan, Carnahan. House Republicans: Martin, Halleck, Arends, Allen, Chipfield, Vorys, Short.

The President expressed his appreciation for the attendance, at considerable inconvenience, of the members of Congress present. He said he considered their attendance as important in view of the London Conference on the Suez matter, scheduled to be convened on August 16 with the United States as a participant. The President and the Secretary of State then reviewed the situation and the actions taken thus far by the United States to deal with it, and the preparations for the London Conference. Mr Flemming described the bearing of possible events in the Middle East upon the petroleum situation. The President and Secretary of State pointed out that in view of the acceptance by 22 of the 24 nations invited, the Conference will offer the opportunity for reaching a peaceful and equitable solution, in accordance with the concepts of the 1888 governing treaty. They made clear that the United States will attend with the purpose of contributing to such a solution with the objective of safe-guarding the interests of those dependent on the Canal as well as recognizing the legitimate interests of Egypt. We are hopeful of such an outcome. They stressed, however, the continuing gravity of the situation and the difficulty in achieving a constructive solution. There was a general vigorous discussion. All recognized the importance of dependable operation of the Canal as a major artery of world traffic. ENDS.

(Signed) TOTARA

(H.6579)

Prime Minister  
Minister of External Affairs  
Secretary of External Affairs

14.8.56

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## INWARD TELEGRAM

[This document is the property of Her Majesty's Government in New Zealand]

FROM: New Zealand Ambassador, Washington  
TO: Minister of External Affairs, Wellington No. 248  
D: 13 August 1956 15.57 R: 14 August 1956 13.00  
(PRESS)

No. 248

Following item appeared in 'Washington Post' this morning from Chalmers Roberts. BEGINS:

The United States at London will not back the British/French idea of a new international agency to run the Canal. Instead, Dulles will propose that Egypt alone run the Canal and that a new international body be created to hear appeals on such matters as toll rates, management efficiency, provisions for expanding the Canal and unhindered passage for ships of all nations; in short, to see that the Canal is run equitably and fairly on behalf of all maritime nations rather than actually to run it. ENDS.

2. Dana Adams Schmidt in 'New York Times' hinted at something similar when he said "The Western Powers maintain the revision of the 1888 Treaty would not meet the problem. A possible compromise might, however, be found if the Western demand for international control over the Canal could be reconciled with Egyptian willingness to concede a form of international supervision".

3. Shortly after noon today State Department issued following press statement. BEGINS:

At the London meeting of the French, United Kingdom and United States Governments held two weeks ago, the United States found itself in complete agreement with France and the United Kingdom that there should be international means to ensure the practical and efficient functioning of the Canal as a free, open and secure international waterway in accordance with the Convention of 1888. The United States has not altered its views in this respect and is not aware of any difference in this matter between the British and French Governments and itself. ENDS.

(Signed) TOTARA

(H. 6595)

Prime Minister  
Minister of External Affairs  
Secretary of External Affairs

14.8.56

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## INWARD TELEGRAM

[This document is the property of Her Majesty's Government in New Zealand]

FROM: New Zealand Ambassador, Washington  
TO: Minister of External Affairs, Wellington No.252  
D: 14 August 1956 14.45 R: 15 August 1956 13.00  
(PRESS)

No.252

The following statement was made by Dulles on his departure for the London Conference. BEGINS:

I am leaving for the London Conference on the Suez Canal with a deep awareness of the importance of this meeting. It bears closely on the peace and welfare of the nations of the world. The legitimate Treaty rights and interests possessed by the world community in the Suez Canal, including of course those of Egypt, must be assured and respected. President Eisenhower and the Congressional leaders with whom we conferred last Sunday have made clear the concern of the United States in the satisfactory settlement of this problem. I shall devote myself untiringly to this end. All of us at the Conference will, I am sure, be conscious of the heavy responsibility, as it affects world security, which has fallen upon us. Accordingly, we can be hopeful of achieving positive results. ENDS.

(Signed) TOTARA

(H.6633)

Prime Minister  
Minister of External Affairs  
Secretary of External Affairs

15.8.56

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## INWARD TELEGRAM

[This document is the property of Her Majesty's Government in New Zealand]

FROM: N.Z. Perm. Mission to United Nations, New York  
TO: Minister of External Affairs, Wellington No.170  
REPEATED: High Commissioner for New Zealand, London No.22  
L: 13 August 1956 21.45 R: 14 August 1956 19.00

No.170 SECRET AND IMMEDIATE

From Munro.

### SUEZ CANAL

Totara's (P) 247 gave text of White House press statement following President's briefing to Congressional leaders yesterday. In subsequent comment, Lyndon Johnson made it clear that Democrats would support Administration in its efforts to bring about peaceful solution of Suez crisis "if we can in conviction and conscience". Nevertheless he stated that formulation of policy was an executive responsibility and he emphasized this point in meeting when asked by Dulles for pledge of Democratic support if position arose where United Kingdom and France took up arms against Nasser. This Johnson would not give. Democrats clearly have no intention of denying themselves Suez as a campaign issue if appropriate to counter "peace and prosperity" theme of Republicans.

2. Senator George (who becomes less influential in his own party as his retirement approaches) has tried hard to help Administration get bipartisan delegation for London Conference. He succeeded in getting Senator Mike Mansfield agree to attend, but yesterday I understand at instigation of Democratic leadership Mansfield declined to go "for personal reasons". George has been trying again today to convince Democratic leadership of desirability of bipartisan-ship at all points in handling of Suez crisis but it is not anticipated that he will have any success. Alexander Smith is Republican choice but there is some doubt whether he will go if no Democratic candidate is available. Announcement of delegation (Totara's (P) 249) would suggest that George has failed.

3. Totara (P) 248 gave texts of observations of Roberts and Schmidt on possible United States line in London, and resulting statement from State Department. Roberts forecast so far as we can gather from well informed press circles in Washington was at least hinted at by Dulles himself. Department's subsequent press statement is itself a significantly negative document, referring as it does to "international means" (and not control), and upholding tripartite solidarity, though so watered down. It may well be that Dulles (if in fact suggestion was his) was kiting. But it is a line which, while unacceptable presumably to United Kingdom and France (unless assent secured at highest level) could probably command considerable support at London Conference as a compromise between rigid international control of Canal and

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(H.6615)

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letting Nasser get away scotfree. One would hope that the Americans themselves would not advance such a solution or support it before giving present tripartite proposals a fair chance.

4. The Minister, with whom I discussed the Suez crisis during most of today, is aware of Totara's (P) 248 and realizing that suggestion for international supervision is not inconsistent with one element of Government's thinking (see paragraph 4 of your No.218 to Totara) would appreciate any further comments. I stress the necessity of checking Nasser before others emulate his effrontery and inflict further grievous losses on Britain, the West and ourselves.

(Signed) TANAKA

(11.6615)

Prime Minister  
Minister of External Affairs  
Secretary of External Affairs +ACTION

15.8.56

S E C R E T

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## INWARD TELEGRAM

[This document is the property of Her Majesty's Government in New Zealand]

FROM: New Zealand Minister, Paris  
TO: Minister of External Affairs, Wellington No.1 Sev.  
REPLATED: New Zealand Ambassador, Washington No.2 Sev.  
High Commissioner for New Zealand, London  
D: 3 August 1956 14 August 1956  
15.00

### No.1 SAVING CONFIDENTIAL

Text of resolution adopted in French Parliament yesterday has been airmailed. I attended debate where resolution as put forward by majority of Foreign Affairs Commission was supported by leaders of various parliamentary groups and opposed by Communists. Maurice Schumann led with classic collective security speech quoting from Cranborne's resignation speech in 1938. France must not be left alone to meet what was common peril. Nasser had acted on pre-meditated plan which aimed at eliminating foreign influence from the Canal, establishing a de facto tutelage over the whole of Africa and creating a pan Arab empire. Bidault quoted from the press of March/April 1936 a day by day chronology of reactions to Hitler's remilitarization of the Rhineland, beginning with most resolute declarations by the French Government, and passing by way of various allied consultations to the impotent conclusion of the League Council's meeting in London. The analogy was ominous and the Prime Minister interrupted to deprecate "demoralization" of public opinion, adding, "Today the head of the United States Government is called Eisenhower, the British Eden, while Pineau has suffered in his person for his hatred of appeasement."

Montel (Rightist) questioned whether U.S.S.R. and Egypt should be admitted to London Conference, and suggested that Nasser, in support of Algerian rebels, would soon treat French ships like those of Israel and refuse them passage through the Canal.

There were not infrequent references to Israel in the debate, (as in current press comment) chiefly as evidence that Nasser had long violated obligations regarding freedom of passage through Canal. Have not so far observed any suggestion that Israel should be unleashed to act against Egypt. Communist speech defending Nasser's action and trying to concentrate attention on profits of directors of Suez Canal Company led to usual uproar. Derivative cries of Heil Nasser from the other side.

A Socialist Deputy was at pains to repudiate suggestion that expropriation of Company was per se a cause of Government's refusal to accept Nasser's action. The offence of Nasser was that he had committed an outrage against international morality.

Today's sitting, with which present session of Parliament closed, allowed only for the two declarations by the Foreign Minister and the Prime Minister referred to in my telegram No.69. As indicated they repeated,

(H.6598)

3r



CONFIDENTIAL

2.

with the apparent approval of all except the Communist Deputies, the French position as already stated. The essential feature of that position is its emphasis on the political character of Nasser's action. It is fundamentally less interested in new arrangements for the control of the Canal than in stopping Nasser whom it regards both as an unreconcilable enemy of France and an apprentice dictator of the worst type.

(Signed) KOWHAI.

(H.6598)

Prime Minister  
Minister of External Affairs  
Secretary of External Affairs

14.8.56

CONFIDENTIAL

20



SECRET

163/4/7/3/3

13th August, 1956.

Dear Bob,

...

The accompanying paper has been included as one of the appendices in our Suez Canal brief. It attempts to set out our minimum requirements with respect to any future regime that is set up for the Suez Canal.

Would you be so kind as to let me have your urgent comment if possible before the Conference meets on August 16th.

Yours sincerely,

Dr. R. J. Whitelaw,  
Department of the Treasury,  
CANBERRA, A.C.T.

Also sent to:

G. H. Warwick Smith, Esq.,  
Department of Trade,  
CANBERRA, A.C.T.

SECRET

24

163/4/7/3/3.

CROTONATE, LONDON ( FOR EXTERNAL )

SECRET

For Menzies from Casey.

In examining the document made available to us by both the British and the Americans headed "Principles Agreed by the U.S.A., U.K. and France as a Framework for Discussion of the Suez Canal Problem", it seems to me that two different interpretations of this document are possible. It might be held that the three Powers assume that the equity in the Suez Canal might be allowed to rest with Egypt, but that the running of the Canal should be put in the hands of an international authority. Or, alternatively, it could mean that the equity in the Canal should be transferred from the old Suez Canal Company to the new international authority. From the point of view of the acceptability of the whole conception to Egypt, the first interpretation would seem to hold more promise than the second.

2. If you agree with the above, you may find it possible to advance this view with the U.K. people. I would believe that it would make things appreciably easier with a number of other countries.

3. As to the position of Egypt in the new international authority, she would of course be on the new authority. It might even be possible to give Egypt what would appear to be an important position.

4. I am drafting this very hurriedly on the eve of leaving Sydney. There is, of course, a great deal more to be said, but I wanted to get this idea to you, if it has not already occurred to you.

13/8/56

28

15/11



DEPARTMENT OF EXTERNAL AFFAIRS.

INWADD TELETYPE MESSAGE.

MESSAGE NUMBER 3428 10.8 13.8.56

TO: MR. KEVIN, E A CANBERRA

FROM: PLIMSOLL, SYDNEY

=====

S E C R E T

=====

WOULD YOU PLEASE SEND THE FOLLOWING TELEGRAM TO LONDON. BEGINs:  
FOR MENZIES FROM CASEY.

IN EXAMINING THE DOCUMENT MADE AVAILABLE TO US BY BOTH THE BRITISH  
AND THE AMERICANS HEADED 'PRINCIPLES AGREED BY THE U S A, U K  
AND FRANCE AS A FRAMEWORK FOR DISCUSSION OF THE SUEZ CANAL PROBLEM',  
IT SEEMS TO ME THAT TWO DIFFERENT INTERPRETATIONS OF THIS  
DOCUMENT ARE POSSIBLE. IT MIGHT BE HELD THAT THREE THREE POWERS  
ASSUME THAT THE EQUITY IN THE SUEZ CANAL MIGHT BE ALLOWED TO  
REST WITH EGYPT, BUT THAT THE RUNNING OF THE CANAL SHOULD BE PUT  
IN THE HANDS OF AN INTERNATIONAL ~~AUTHORITY~~ AUTHORITY. OR, ALTERNATIVELY,  
IT COULD MEAN THAT THE EQUITY IN THE CANAL SHOULD BE TRANSFERRED  
FROM THE OLD SUEZ CANAL COMPANY TO THE NEW INTERNATIONAL AUTHORITY.  
FROM THE POINT OF VIEW OF THE ACCEPTABILITY OF THE WHOLE CONCEPTION  
TO EGYPT, THE FIRST INTERPRETATION WOULD SEEM TO HOLD MORE PROMISE  
THAN THE SECOND.

IF YOU AGREE WITH THE ABOVE, YOU MAY FIND IT POSSIBLE TO ADVANCE  
THIS VIEW WITH THE U K PEOPLE. I WOULD BELIEVE THAT IT WOULD  
MAKE THINGS APPRECIABLY EASIER WITH A NUMBER OF OTHER COUNTRIES.

[AS TO THE POSITION OF EGYPT IN THE NEW INTERNATIONAL AUTHORITY,  
SHE WOULD OF COURSE BE ON THE NEW AUTHORITY. IT MIGHT EVEN  
BE POSSIBLE TO GIVE EGYPT WHAT WOULD APPEAR TO BE AN IMPORTANT  
POSITION.

I AM DRAFTING THIS VERY HURRIEDLY ON THE EVE OF LEAVING SYDNEY.  
THERE IS, OF COURSE, A GREAT DEAL MORE TO BE SAID, BUT I WANTED TO  
GET THIS IDEA TO YOU, IF IT HAS NOT ALREADY OCCURRED TO YOU.

(ENDS)

MESSAGE ENDS

27



163/4/7/3/3.

*Memorandum*

ITINERARY : MR. A.H. TANGE

*Richard Gardner*

Sunday	12th	AUGUST	Dep.	Sydney	2230	<u>BA705/995</u>
Monday	13th	AUGUST	Arr.	Darwin	0610	
			Dep.	Darwin	0815	
			Arr.	Djakarta	1300	
			Dep.	Djakarta	1400	
			Arr.	Singapore	1630	
Tuesday	14th	AUGUST	Dep.	Singapore	0830	
			Arr.	Calcutta	1400	
			Dep.	Calcutta	1445	
			Arr.	Karachi	2005	
			Dep.	Karachi	2205	
Wednesday	15th	AUGUST	Arr.	Beirut	0335	
			Dep.	Beirut	0420	
			Arr.	Zurich	1120	
			Dep.	Zurich	1205	
Wednesday	15th	AUGUST	Arr.	London	1445	

Fds

This was handed to  
me by Sylvia Brown.  
I have informed ROUSE  
of the ETA London

76

was 13/8

9/8/56



163/4/7/3/3.  
CONFIDENTIAL

DEPARTMENT OF EXTERNAL AFFAIRS.

**CABLEGRAM.**

BH:VA

I. 10693

Sent: 12th August, 1956  
1415  
Rec'd: 13th August, 1956  
0915

FROM:

Australian High Commission,  
KARACHI.

236. CONFIDENTIAL.

Repeated London 9.

Suez Canal.

Pakistan will be represented at the London Conference by the Foreign Minister, Hamidul Haq Chowdhry. He is provisionally booked to leave for London on 13th August accompanied by a few Foreign Office Officials. He will probably be joined later by Foreign Secretary and Baig, (who is at present in Afghanistan with President). Cabinet is expected to meet before the Foreign Minister's departure to approve his brief. Have learned that the President would have much preferred the Prime Minister to represent Pakistan but for domestic political reasons it is not possible for him to be absent at this time.

2. A Foreign Office spokesman gave a press conference on the Suez question yesterday in which the following points were made.

- (a) Pakistan is unhappy about military moves in the Middle East as she stands for a peaceful solution of the problem.
- (b) Pakistan is most vitally interested in the Suez Canal and freedom of navigation to ships of all countries. Free navigation vital to Pakistani's economy because imports and exports of essential commodities and food would be affected should there be difficulty in the free movement of shipping.
- (c) Apart from the important question of navigation Pakistan is interested in the peaceful solution of the question from an international point of view as a member of the United Nations and the British Commonwealth on one hand and on other hand because a Muslim State and a friendly country like Egypt is involved. Pakistan had been pressing the sponsoring powers from the very beginning that a peaceful solution satisfactory to all has to be found.
- (d) Pakistan considers it most important that the Arab Israel question be isolated from the text of the Suez question. Pakistan is very clear in her own mind that under no circumstances should Israel be given reasons to exploit the situation. No arms should be supplied to Israel.

CONFIDENTIAL

CONFIDENTIAL

DEPARTMENT OF EXTERNAL AFFAIRS.

**CABLEGRAM.**

I. 10693

2.

- (e) No invitation had been received by Pakistan for a meeting of Colombo powers to discuss Suez as had been reported from Djakarta.

3. Replying to the question as to whether Pakistan believed in declarations of Nasser that free traffic will not be hampered the spokesman replied "we have great respect for assurances by all heads of state".

4. In reply to another question as to whether Pakistan accepts Egypt's right to nationalise the Suez Canal he said that those most vitally concerned accept this right. Under International Law a Canal which was build up in a territory is part of that territory. However, the issue of nationalisation should be treated as independent of the issue of freedom of navigation.

... Bullock.

- - - - -

A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE  
TREASURER & TREASURY  
A/MIN. & DEPT. TRADE (C.)  
MIN. & DEPT. S. & T.  
P.M.'s.

13th August, 1956.

SEC A/Ss L.&T(DIV.5) UN ER CR PAC&AM AM&SP S&SEA SA  
SEA EAF&ME E AF&ME INFO DL MT C&P

24

CONFIDENTIAL



163/4/7/3/3.

The Australian High Commission,  
LONDON.

CONFIDENTIAL PRIORITY

FOR McINTYRE

LONDON CONFERENCE

Four copies of brief for conference despatched  
to you in safe hand bag 72 per Qantas flight 533024,  
E.T.A. London p.m. 14th August. Please pass copy to Brown  
for Prime Minister.

*File*

23

13th August, 1956.



163/4/7/3/3.

A.B.C. NEWS - MONDAY, 13th AUGUST

12.30:

Mr. Casey said in Darwin this morning that Nasser's refusal to join the London conference would prolong the tension in Egypt. In addition, a solution of the Canal problem would be delayed. Colonel Nasser announced Egypt's intention at a news conference and broadcast early this morning, saying the London talks could not be considered as international and competent to take decisions. Twenty-two nations will attend the conference, Egypt and Greece being the only two to have refused. Mr. Casey said that Colonel Nasser's reply to the invitation seemed to be in moderate terms, although it could not be regarded as satisfactory. Nasser told the news conference in Cairo that if Britain and France attacked Egypt it would be total war. He said: "Egypt is and will remain sole owner of the Canal". He has proposed a wider conference, somewhat on the lines suggested earlier by the Soviet Union, but reports this morning indicate that both Britain and France have already rejected this.

In New Delhi, official circles have welcomed Nasser's proposal for a wider conference. The A.B.C.'s London office says the broad principles for the control of the Suez Canal have been drawn up by Britain and circulated to the Powers attending the Western conference beginning on Thursday. At his news conference and in his broadcast, Colonel Nasser said: "We know the British and French are stronger than us. We know we are a small country. But we would have to defend our rights and our dignity and we would fight to the last drop of our blood. I consider myself in a permanent state of emergency." Nasser said that at one time he thought Egypt might accept the invitation to the London talks. He added: "What's the use of attending the conference in the light of what we know of the intentions of these Powers?" He said the President of the World Bank had offered Egypt one million dollars if Egypt would agree to renew the Canal Company's lease in 1968. He did not say when the offer was made, but indicated that it was prior to the Suez crisis.

A leading Indonesian diplomat told Calcutta newsmen yesterday that moves were afoot for the calling of a conference of Asian-African nations to discuss the Suez crisis.

Meanwhile, Britain's sea and air lift of troops to the Mediterranean has begun. Two airfields in southern England are being used to fly out hundreds of troops and equipment - an operation which will continue until next weekend. Two large troopships sailed from Southampton yesterday.

1.30:

Indonesia yesterday signed a trade agreement with the Soviet Union. Details were not disclosed.



DJB/DC

~~TOP SECRET~~

163/4/7/3/3

Memorandum No.

678.

13th August, 1956.

The Australian Embassy,

WASHINGTON.

SUEZ CANAL

*Mo ro.*

...

I am enclosing for your personal information copy of the brief prepared for the forthcoming London Conference on the Suez Canal.

2. At the time of writing the brief has not been cleared with the Minister and therefore represents Departmental thinking only.

*copies 17 at Washington.*

*3. Records.*

*4. File*

(J.C.G. Kevin)  
Assistant Secretary

~~TOP SECRET~~

21



...:VA

DEPARTMENT OF EXTERNAL AFFAIRS.  
**OUTWARD CABLEGRAM.**

RESTRICTED

13/8/56  
O. 10881/2/3/4/  
5/6/7/8/90/  
91

163/4/7/3/3

TO:

Australian High Commission,  
OTTAWA.....127.

Australian High Commission,  
NEW DELHI.....190.

Australian High Commission,  
COLOMBO.....196.

Australian Embassy,  
WASHINGTON.....634.

Australian Embassy,  
PARIS.....168.

Australian Embassy,  
THE HAGUE.....118.

Australian Embassy,  
BONN.....274.

Australian Embassy,  
TOKYO.....243.

Australian Legation,  
ROME.....246.

Australian Legation,  
CAIRO.....154.

Australian Legation,  
TEL AVIV.....69.

Restricted.

Minister accompanied by Tange and Gardner  
departing Sydney for London Flight BA705995 on 12th August.

MIN. & DEPT. E.A.  
P.M's.

(Cost £14.6.2)  
13th August, 1956.

SEC A/Ss UN ER PAC&AM EA AM&SP S&SEA SEA EAF&ME E  
AF&ME INF DL C&P EXCOMS

20

RESTRICTED



File 162/4/7/3/3.

A.B.C. NEWS - MONDAY, 13th AUGUST, 7.45 a.m.

Colonel Nasser announced early this morning (Aust. time) that Egypt would not attend the London conference on the Suez Canal. He said the conference could not be considered as an international one, competent to make decisions. Twenty-two nations will attend the conference, Egypt and Greece being the only two to have refused.

Nasser told a news conference attended by about 300 reporters of many nationalities that if Britain and France attacked Egypt it would be total war. He said Egypt is and will remain sole owner of the Canal. He said Egypt was prepared to sponsor with other signatories to the 1888 Constantinople convention a conference to which would be invited other governments whose ships passed through the Canal. Signatories to the convention are Britain, Germany, Austria-Hungary, Spain, France, Italy, the Netherlands, Russia, Turkey and Egypt. Nasser added that Egypt was sparing no effort to preserve peace and was remaining true to the U.N. Charter and to decisions of the ~~Edinburgh~~ Bandung Conference which prescribes the peaceful settlement of international problems. He said the Suez Canal Company was an Egyptian company and was subject to Egyptian law and custom. Any attempt to give the company an international character was merely a justification to interfere in Egypt's internal affairs.

Commenting on Egypt's decision, the British and French Foreign Ministries said this ~~week's~~ week's London conference would be held as planned. Britain has rejected the proposal that a new conference should be called.

News of Nasser's rejection of the invitation was conveyed to Eisenhower as he was conferring with congressional leaders and diplomatic and defence advisers on the Suez problem. The President expressed the hope that a solution could be found which would be equitable to Egypt and to those who were dependent upon the Canal.

The Cairo newspaper "Alshad" (?) reported yesterday that five large warships had arrived at Alexandria from the Soviet Union flying the Egyptian flag. Communist arms were said to have been unloaded from these ships.

Meanwhile, in Britain the airlift of troops has begun from two airfields.... The operation is expected to last till next weekend with a total of 60 flights. The British-licensed Malta Radio was cut off the air yesterday following a dispute over the Suez policy between the Socialist Premier Dom Mintoff and the British Governor-General. The Premier ordered men to cut all lines distributing Malta Radio broadcasts when the station had refused to broadcast a statement from him. U.P. says the dispute concerned British preparations for using Malta as a major base for its military ~~build-up~~ build-up to counter the Suez dispute. The Governor had ordered all craft to clear the harbour where flying-boats would stopover on their flights from Suez to Britain evacuating women and children. The Premier protested that this was a violation of fishermen's rights.

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CONFIDENTIAL.

POL 274/1.



117/4/7/3/3

DEPARTMENT OF  
EXTERNAL AFFAIRS

13 AUG 1956

CANBERRA.


The Secretary,  
Department of External Affairs,  
CANBERRA...A.C.T.

*With the compliments  
of the  
Official Secretary*

Enc: Two copies of letter  
addressed to the Acting  
Secretary, Prime Minister's  
Department, Canberra dated  
11th August 1956.

Ref: Conference on Suez Canal.

*Office of the High Commissioner  
for the United Kingdom,  
Canberra, A.C.T.*

  
11th August 1956.

CR  
National Archives of Australia

18  
NAA: A1838, 163/4/7/3/3 PART 4



POL 274/1.  
CONFIDENTIAL.

OFFICE OF THE HIGH COMMISSIONER  
FOR THE UNITED KINGDOM  
CANBERRA,

11th August 1956.

Sir,

I am directed by the High Commissioner to refer to my letter No. POL 274/1 of the 10th August about the Suez Canal and to inform you that up to the time of writing all countries invited to the Conference have accepted except Egypt and Greece.

A copy of this letter is being sent to the Secretary, Department of External Affairs.

I am, Sir,

Your obedient Servant,

(A. G. R. ROUSE)

The Acting Secretary,  
Prime Minister's Department,  
CANBERRA...A.C.T.



*Mr. Billington*  
*163/4/7/3/3.* 570.

FOR THE PRESS

DEPARTMENT OF EXTERNAL AFFAIRS

CANBERRA

PR 88.

12th August, 1956.

For publication or broadcasting  
not before 10.30 p.m.

SUEZ CANAL CONFERENCE

The Minister for External Affairs, Mr. R. G. Casey, said before leaving Sydney tonight that he was leaving at the end of a busy two weeks, during which the Australian Government had given continuous consideration, in consultation with other countries, to the situation arising out of the abrupt and unilateral decision by the Egyptian Government to nationalize the Suez Canal.

Mr. Casey said that he was now going to a conference where Australia would join with other countries in an attempt to define a position to meet the situation and which would be acceptable to world opinion. He said he did not want to speculate as to what would be decided at the conference, or to discuss the policy of the Australian or any other Government.

Mr. Casey said that he thought that there was universal agreement with the three principles which he had stated publicly a fortnight ago as defining Australia's basic position: freedom of passage through the Canal for all countries at all times without discrimination; reasonable charges; and efficient operation. These principles point to the necessity for the continuation of an international regime.

Australia had a clear understanding of the vital importance of the Suez Canal question to Britain -- not only its value to Britain herself and her position in the world -- but also the role of the Canal in world trade originating in or carried on by Britain. This is something of which, as a British people, Australians are particularly conscious.

The Australian Government had been working away quietly  
/and continuously

16



and continuously on the matters involved. The Prime Minister, Mr. Menzies, had had most useful discussions in Washington and in London. Australian diplomatic missions in all the interested capitals, and particularly in Asia, had been discussing the questions involved. He himself was now leaving for London to join the Prime Minister, strengthened with a very full discussion in the Australian Cabinet this week and with the close personal attention that had been given to the problem throughout by the Acting Prime Minister, Sir Arthur Fadden.

Mr. Casey said he was impressed by the community of interest in this matter between Australia and the countries of Asia. The Suez Canal had originally been created to shorten the distance by sea between Europe and the countries east of Suez. Conditions satisfactory to the world had been created and maintained for a hundred years, by an international arrangement. All the countries east of Suez -- including Australia -- had a vital interest in seeing that the Canal was kept open to world shipping at reasonable charges, as it has been for a hundred years. If the Canal became the plaything of an individual country, the charges on imports and exports of Asian countries -- and of Australia -- might well be raised, to the detriment of us all.

In conclusion, Mr. Casey said that he would watch with interest what President Nasser would say and whether Egypt would attend the conference. If Egypt did not attend, it would still further aggravate the grave responsibility that Egypt already bore for its affront to generally accepted standards of international conduct.

---

**CONFIDENTIAL**  
**CABLEGRAM.**

163/4/7/3/3.

I. 10670.

DW:OA.

Sent: 10th August, 1956.  
1710.

FROM:

Recd: 12th August, 1956.  
0900Australian Embassy,  
RANGOON.257. CONFIDENTIAL.

Repeated Singapore Savingram 18.

My telegram 252. Suez.

During the call on Soa Hkun Hkio today, I spoke on the lines suggested in your Savingram 22 except (v). The Foreign Minister said they would await developments and expects to hear more from India, Ceylon and other Colombo countries after the London meeting. There was no present idea of having a meeting of Colombo powers.

The Foreign Minister had read Mr. Casey's statement and said that no one could contest Australia's very legitimate interest, and he thought we had quite properly raised these points. Government of Burma would have these considerations very much in mind. They would like solution found which, while recognising the sovereignty of Egypt, ensured continued freedom of traffic through the Canal and no discrimination.

He would rather reserve judgment whether international control, as such, was the best solution. Like Ba Swe he deprecated reference to the use of force.

Moodie.

-----  
MIN & DEPT. E.A.  
MIN & DEPT. DEF.  
MIN & DEPT. S. & T.  
A/MIN & DEPT. TRADE (C)  
TREAS & TREASY  
P.M.'S.

12th August, 1956.

SEC A/Ss L&T(DIV.5) UN ER CR PAC&AM AM&SP S&SEA SA SEA  
EAF&ME E AF&ME INF DL MT C&P

G

**CONFIDENTIAL**



OUTWARD CABLEGRAM.

UNCLASSIFIED.

:MB

O. 10965/6/7/8/9.

Sent: 12th August, 1956.  
1300

PRESS  
TO:

Australian High Commission,  
LONDON. (for External)

Australian High Commission,  
NEW DELHI.

Australian High Commission,  
COLOMBO.

Australian High Commission,  
KARACHI.

Australian Commission,  
SINGAPORE.

Unnumbered. UNCLASSIFIED.

Following statement being issued 9 p.m. Sunday:

Suez Canal Conference.

The Minister for External Affairs, Mr. R.G. Casey, said before leaving Sydney tonight that he was leaving at the end of a busy two weeks, during which the Australian Government had given continuous consideration, in consultation with other countries, to the situation arising out of the abrupt and unilateral decision by the Egyptian Government to nationalize the Suez Canal.

Mr. Casey said that he was now going to a conference where Australia would join with other countries in an attempt to define a position to meet the situation and which would be acceptable to world opinion. He said he did not want to speculate as to what would be decided at the conference, or to discuss the policy of the Australian or any other Government.

Mr. Casey said that he thought that there was universal agreement with the three principles which he had stated publicly a fortnight ago as defining Australia's basic position: freedom of passage through the Canal for all countries at all times without discrimination; reasonable charges; and efficient operation. These principles point to the necessity for the continuation of an international regime.

Australia had a clear understanding of the vital importance of the Suez Canal question to Britain -- not only its value to Britain herself and her position in the world -- but also the role of the Canal in world trade originating in or carried on by Britain. This is something of which, as a British people, Australians are particularly conscious.

The Australian Government had been working away quietly and continuously on the matters involved. The Prime Minister, Mr. Menzies, had had most useful discussions in Washington and in London. Australian diplomatic missions in all the interested capitals, and particularly in Asia, had been discussing the questions involved. He himself was now  
2./.....

13



**OUTWARD CABLEGRAM.**UNCLASSIFIED.

-2-

O. 10965/6/7/8/9.

leaving for London to join the Prime Minister, strengthened with a very full discussion in the Australian Cabinet this week and with the close personal attention that had been given to the problem throughout by the Acting Prime Minister, Sir Arthur Padden.

Mr. Casey said he was impressed by the community of interest in this matter between Australia and the countries of Asia. The Suez Canal had originally been created to shorten the distance by sea between Europe and the countries east of Suez. Conditions satisfactory to the world had been created and maintained for a hundred years, by an international arrangement. All the countries east of Suez -- including Australia -- had a vital interest in seeing that the Canal was kept open to world shipping at reasonable charges, as it has been for a hundred years. If the Canal became the plaything of an individual country, the charges on imports and exports of Asian countries -- and of Australia -- might well be raised, to the detriment of us all.

In conclusion, Mr. Casey said that he would watch with interest what President Nasser would say and whether Egypt would attend the conference. If Egypt did not attend, it would still further aggravate the grave responsibility that Egypt already bore for its affront to generally accepted standards of international conduct.

-----  
Cost £11/13/4.

A/MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE.  
TREASURER AND TREASURY.  
A/MIN. & DEPT. TRADE (CANB.)  
MIN. & DEPT. S. & T.  
P.M.'S.

13th August, 1956.

SEC A/Ss UN ER CR PAC&AM AM&SP S&SEA SA SEA  
E.AF&ME E AF&ME INF DL C&P MT

G

12



**CABLEGRAM. CONFIDENTIAL**

WT:HMCC

I.10680

Dated: 11th August, 1956.

1553

Rec'd: 12th August, 1956.

0900

FROM:-

Australian Legation,  
C A I R O.

169. CONFIDENTIAL.

London 21.

Addressed to Canberra 169, repeated to

From Cutler.

The Iraqi Ambassador says that Nasser personally informed him that he has decided to leave the High Dam in abeyance for at least five years. The Ambassador believes that Nasser will accordingly moderate his claims on Canal profits.

The Ambassador also believes that Nasser is surprised at the strength of Western reaction (vide my comments in telegram 163), and will generally adopt a less rigid attitude with a slight possibility of negotiation using Spain, Italy and India as mediators.

-----

MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE  
A/MIN. & DEPT. TRADE (C)  
TREASURER & TREASURY  
MIN. & DEPT. S. & T.  
P.M'S.

12th August, 1956.

SEC A/Ss L&T(DIV.5) UN ER CR PAC&AM AM&SP S&SEA  
SA EAF&ME E AF&ME INF DL M.T. C&P

G

CONFIDENTIAL



Mr. Kinn  
Mr. Bismington  
was handed to me  
by BENUZZI the Italian  
change of affairs - it is  
of considerable interest: a victory for a diplomatic  
war.

163/4/7/2/3

Radio-Rome 12.8.56.

The Italian delegation will leave Rome by plane at 2 p.m. next Tuesday. The minister Mr. Martino will convene the first meeting of the delegation tomorrow to definitely establish the course of action which is to be followed at the discussions.

The Italian viewpoint, relating to the Suez Canal was set out by the under-secretary of Foreign Affairs, Mr. Badini Confalonieri, in an article in which he stresses the interest with which Italian circles intend to follow the international developments, and the necessity to internationally guarantee freedom of communication between the Mediterranean and the Red Sea, a vital transit way for Italy.

Italy is, and remains, a friend of Egypt and of England. Moreover, owing to this traditional and deep-rooted friendship, Italy feels it its duty to make a warm appeal to President Nasser, to all the leaders and the people of Egypt, because in the decisions which they are about to take, they should let themselves be guided by a spirit of international collaboration and not by a dangerous spirit of vindication.

NB

No one contests the Egyptian Government's right to nationalise Egyptian property and institutions, but if it desires foreign support of the development of its own economy then it is necessary, as a just counterpart, that complete legal guarantee to capital and work be assured by it.

The Hon. Badini Confalonieri goes on to assure that Italy, on its part, will do all that is in its power in order that the Suez problem be settled as quickly as possible, in a peaceful manner, to the satisfaction of all the peoples concerned.

In its course of action, however, it will not deviate from three fundamental points:

- (1) Complete freedom of navigation through the Canal would have to be internationally guaranteed.
- (2) Transit rates should be raised.
- (3) The structure and installations of the Canal would have to be improved to adequately cope with the growing traffic.

Friendship for Egypt can in no way affect Italy's solidarity towards those countries with which it is even more fundamentally linked through pacts purposefully established by common civilisation based on the principles of democracy, individual freedom and sovereignty of law.

The Suez Canal was built to be an instrument of progress for the peoples of the world, and such it must remain.

10

Fake  
news



163/4/7/3/3.  
SECRET

INWARD CABLEGRAM.

I. 10667.

OA:OA.

Sent: 10th August, 1956.  
1917.

FROM:

Recd: 12th August, 1956.  
0900

Australian High Commission,  
OTTAWA.

136. SECRET.

Repeated London 24, Washington Savingram 89, Australian  
Mission to the United Nations Savingram 29.

Suez Canal.

Canadians, viewing situation as somewhat easier, have decided not to say anything further formally to United Kingdom at this time about their apprehensions over possible consequences of failure of conference. Their High Commissioner in London has been instructed to convey to Home relief felt in Canada at improved atmosphere, and Eden's assurance that what is sought is solution by the broadest possible international agreement, and not by force.

2. Canadians welcome constructive efforts being made by India to encourage Egypt to participate in negotiations, but have doubts about practicability of imposing international authority on Egyptians entirely against their will.

3. Canadians have been giving serious consideration to Indian proposal that small group might be established to exercise international authority, with Egypt as Chairman. Whilst their thinking on the subject is so far highly tentative, they feel there may be some merit in scheme, which in essence corresponds to a line they had themselves been developing. However, Canadians envisage a continuing committee emerging from the London Conference, which would have equal number of members (say three) from East and West of the Suez with Egypt as Chairman. Great powers would be excluded from committee which would be composed as far as possible of comparatively disinterested powers. It might perhaps be in the form of a council composed of heads of appropriate missions in Cairo, an idea hinted at in Article 8 of the 1888 convention. However, Canadians have not yet developed the idea very far, and have not yet decided whether it should meet continuously or only as circumstances warrant.

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MIN & DEPT. E.A.  
MIN & DEPT. DEF.  
MIN & DEPT. S. & T.  
MIN & DEPT. TRADE  
TREASR & TREASY  
P.M'S.

12th August, 1956.

SEC A/Ss UN ER CR PAC&AM AM&SP S&SEA SA SEA EAF&ME  
E INF DL MT

SECRET



CABLEGRAM.

163/4/7/3/3.  
SECRET

I. 10668

DW:OA.

Sent: 11th August, 1956.  
1235.

FROM:

Recd: 12th August, 1956.  
0900

Australian High Commission,  
NEW DELHI.

195. SECRET. IMMEDIATE.

Addressed Canberra 195 repeated (information) London 7.  
Suez Canal.

My telegram 194, paragraph 3.

1. Indian Government's comment on United Kingdom proposals was telegraphed by United Kingdom High Commission to London, repeated to Canberra late on 10th August.

2. Comment, though conciliatory, is critical and makes no specific proposals. Main points are :

- (a) Proposal disregards previous agreements, Egypt's sovereignty and the necessity for Egyptian co-operation.
- (b) Proposed authority would have extra-territoriality never enjoyed by the Suez Canal Company.
- (c) Proposal refers to legitimate interests of Egypt which cannot be maintained if other parts of the proposal are carried out.
- (d) Regarding the Conference, Indian Government is concerned that the canal be free and open as in the Convention of 1888, and restates the necessity for an approach that renders settlement possible.
- (e) Finally, the Indian Government hopes the United Kingdom Government "will take and respond to resolution of conciliation".

3. Note makes no reference to risk of war - but this is still much in mind here.

Heydon.

MIN & DEPT. E.A.  
MIN & DEPT. DEF.  
A/MIN & DEPT. TRADE  
TREAS & TREAS  
MIN & DEPT. S & T.  
P.M.'S.

12th August, 1956.

SEC A/Ss UN ER CR PAC&AM AM&SP S&SEA SA SEA EAF&ME E  
AF&ME INF DL MT C&P  
L&T(Div.5)

SECRET





Mr. Cooper  
163/4/7/3/3. 573. *Op*

FOR THE PRESS

DEPARTMENT OF EXTERNAL AFFAIRS

CANBERRA

PR 88.

12th August, 1956.

For publication or broadcasting  
not before 10.30 p.m.

SUEZ CANAL CONFERENCE

The Minister for External Affairs, Mr. R. G. Casey, said before leaving Sydney tonight that he was leaving at the end of a busy two weeks, during which the Australian Government had given continuous consideration, in consultation with other countries, to the situation arising out of the abrupt and unilateral decision by the Egyptian Government to nationalize the Suez Canal.

Mr. Casey said that he was now going to a conference where Australia would join with other countries in an attempt to define a position to meet the situation and which would be acceptable to world opinion. He said he did not want to speculate as to what would be decided at the conference, or to discuss the policy of the Australian or any other Government.

Mr. Casey said that he thought that there was universal agreement with the three principles which he had stated publicly a fortnight ago as defining Australia's basic position: freedom of passage through the Canal for all countries at all times without discrimination; reasonable charges; and efficient operation. These principles point to the necessity for the continuation of an international regime.

Australia had a clear understanding of the vital importance of the Suez Canal question to Britain -- not only its value to Britain herself and her position in the world -- but also the role of the Canal in world trade originating in or carried on by Britain. This is something of which, as a British people, Australians are particularly conscious.

The Australian Government had been working away quietly  
/and continuously

and continuously on the matters involved. The Prime Minister, Mr. Menzies, had had most useful discussions in Washington and in London. Australian diplomatic missions in all the interested capitals, and particularly in Asia, had been discussing the questions involved. He himself was now leaving for London to join the Prime Minister, strengthened with a very full discussion in the Australian Cabinet this week and with the close personal attention that had been given to the problem throughout by the Acting Prime Minister, Sir Arthur Fadden.

Mr. Casey said he was impressed by the community of interest in this matter between Australia and the countries of Asia. The Suez Canal had originally been created to shorten the distance by sea between Europe and the countries east of Suez. Conditions satisfactory to the world had been created and maintained for a hundred years, by an international arrangement. All the countries east of Suez -- including Australia -- had a vital interest in seeing that the Canal was kept open to world shipping at reasonable charges, as it has been for a hundred years. If the Canal became the plaything of an individual country, the charges on imports and exports of Asian countries -- and of Australia -- might well be raised, to the detriment of us all.

In conclusion, Mr. Casey said that he would watch with interest what President Nasser would say and whether Egypt would attend the conference. If Egypt did not attend, it would still further aggravate the grave responsibility that Egypt already bore for its affront to generally accepted standards of international conduct.

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CABLEGRAM.

HMC:VA

I. 10665/6

Sent: 11th August, 1956  
0248  
Rec'd: 12th August, 1956  
0900

FROM:

Australian Embassy,  
WASHINGTON.

818. SECRET.

Repeated London 82, Australian Mission to the  
United Nations 180.

Suez.

Today we saw Rountre (newly appointed Assistant  
Secretary Middle East) who will be accompanying Dulles to  
London.

2. We asked United States reactions to Soviet and  
other counter suggestions. Rountre said it would have been  
too much to expect acceptance of invitations by all 24, and  
Soviet counter suggestions were not unexpected. But Soviet  
could hardly expect the three powers to accept those counter  
suggestions. 16th August had, as we know, been decided on as  
the latest acceptable date to United Kingdom and France. Any  
postponement was unlikely "in the present circumstances".  
Similarly, Rountre could see at present no possibility of  
expanding conference membership beyond the 24 already invited,  
since the criteria had been established with the greatest  
possible care. Although it was not clear from the Soviet  
reply whether it intended to attend or not United States  
assumed Soviet attendance. (Hayter is apparently requesting  
clarification). Greek intentions concerning attendance were  
similarly obscure, and United States had had no word from  
Indonesia. United States assumed Egypt would not attend.  
Whatever happened, however, United States considered it was  
"right and proper" that meeting should be held.

3. We asked his assessment of chances of conference  
being effective. He said progress would obviously depend in  
large measure on the extent of conference support for "reason-  
able proposals" that might be advanced by sponsoring and  
participating powers. If no wide unanimity of opinion was  
reached on measures to be taken, meeting would accomplish  
little except provision of time for tempers to cool off a  
bit.

4. Rountre noted that participating countries were  
not bound by 3 power proposals which represented "line of  
thought we have at this time". Objective of 3 powers was  
arrangement for free and open use of canal which would not

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## CABLEGRAM.

I. 10665/6

2.

be dependent on the whims of Nasser or any other dictator.

5. We asked what present thinking was on subsequent steps if conference failed. Rountre said United States had no answers at present. Answers would depend on outcome of London meeting. If meeting made substantial progress obvious course would be to follow thereupon lines it indicated. If it made no substantial progress, the question, in United States views, was not whether, but what to do next time, in short, the United States was committed to the London conference, but still had undertaken no commitments as to courses thereafter.

6. We referred to speculation that Dulles meeting with Hammarskjold today night indicate United States thinking of some kind of reference to United Nations in the event of conference failure. Rountre said meeting had no special significance. Objective was to keep Secretary-General informed on situation which obviously had grave potentialities. It was not intended to pave the way for United Nations action. Similarly, Dulles briefing of both Congressional Parties at White House scheduled for 12th August should not be taken (as sections of press suggest) as preparation for special session of Congress. Question of special session always arose in time of crisis, but none was presently anticipated. Possibility could not, however, be excluded either to report to Congress on a grave situation or to ask for Congressional authority for "any special measures" for which Presidential authority was presently lacking.

7. Rountre added.

- (a) United Kingdom and France still appear determined to take some effective action if London conference fails to move rapidly towards satisfactory solution. He could not speculate on possible nature of such action.
- (b) United States, for its part, is seeking to determine measures other than the use of force which could achieve common western objective of free and open canal.

8. Before seeing Rountre, we had discussed situation informally with Wilkins (Director Office near Eastern Affairs). Speaking purely personally, Wilkins thought there would be merit in reference to United Nations following London conference, whether or not unanimous agreement on course of action was agreed there. It was true 3 powers had decided against reference United Nations in the first instance, but following the London conference, position would be different. He speculated, in the event of conference failure, action might conceivably include United Kingdom/French warships at each end of canal or accompanying ships through canal, and thought such action (or any other) might be taken under Article 51 of the Charter on the grounds that the present canal situation constituted a threat to the security of various nations. Generally speaking, Wilkins thought that since the conference procedure had now been adopted, there would be obvious advantage in continuing it (either in the United Nations or in a new and differently constituted conference) since it offered an alternative to the use of force.

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## CABLEGRAM.

I. 10665/6

3.

9. Wilkins also remarked that Western Europe (apart from Italy) had been slow in accepting the 3 power invitation to the London conference. This was surprising. It seemed they were less aware than 3 powers of the vital importance of Suez to their economies. He also expressed surprise that India seemed to be taking line closer to the West on current issue than was Pakistan.

10. Pakistan Counsellor told us today he understood Karachi was considering compromise under which the operation of the canal would be retained by Egypt, while open and free access would be granted by something like the Montreux Convention. Asked whether he thought this would meet security requirements of nations like his and ours, especially in the event of limited war, he said Pakistan attitude was conditioned mainly by consideration that peaceful solution required "compromise" acceptable to both sides. We gathered that he had discussed the above with the State Department today.

11. United Kingdom Embassy expressed the following views to us today.

- (a) Embassy discount likelihood of United Nations reference by Egypt (press reports today Fawzi is to arrive New York 12th August).
- (b) At the London conference, Embassy expects substantial majority for some principle of international control.
- (c) If Egypt will not accept conference resolution, Embassy confirms United Kingdom determination to take other measures; in which case Embassy expects United States would apply economic measures.
- (d) Embassy challenges thesis that United States would neutralise Soviet by non-intervention and believes, on the contrary, Soviet would be less likely to intervene if United States intervened. In any event, the Embassy does not expect Soviet intervention.

12. United Kingdom Embassy adds.

- (a) Ceylon appears to be back peddling.
- (b) Indonesia has expressed reluctance to sit in judgement on fellow Moslem and has stressed danger that Western action might throw the whole Moslem world into Soviet arms.

13. Oil Company representatives are in close consultation with State Department, and Washington Committee is meeting on emergency basis to consider supply of oil to Europe if Middle East supply is cut.

3

MIN. & DEPT. E.A.  
MIN. & DEPT. DEFENCE  
P.M.'s.

SECRET

12th August, 1956.

SEC A/3s MR. LOOMES MR. BOOKER MR. LANDALE MR. BILLINGTON  
MR. LOVEDAY MR. LAWREY



DEPARTMENT OF EXTERNAL AFFAIRS.

OUTWARD TELETYPE MESSAGE

MESSAGE NO.1005 10.33AM 12/8/56.

TO:- THE MINISTER, MELBOURNE.

FROM:- MR.PLIMSOLL, CANBERRA.

FOLLOWING ARTICLE IS IN THIS MORNING'S 'SYDNEY SUNDAY TELEGRAPH'.

(BEGINS)

MENZIES' VIEW ON SUEZ.

INTERFERENCE BY UNITED NATIONS OPPOSED.

LONDON, SATURDAY. AUSTRALIAN PRIME MINISTER MENZIES IS FIRMLY OPPOSED TO ANY UNITED NATIONS INTERFERENCE IN THE SUEZ CANAL CRISIS.

HE WAS ADAMANT ON THIS POINT WHEN QUESTIONED ON HIS ARRIVAL FROM AMERICA.

MR.MENZIES SAID THAT HE WOULD LIKE THE SUEZ DISPUTE SETTLED.

BUT HE DID NOT THINK UNITED NATIONS HAD THE MACHINERY TO DEAL WITH THE URGENCY OF THE SITUATION.

MR.MENZIES, WHO STRESSED THAT HE HAD JUST COME FROM AMERICA, SAID HE KNEW NOTHING OF A UNITED STATES PLAN TO SETTLE THE SUEZ DISPUTE SENT IN A STATE DEPARTMENT MEMORANDUM TO NATIONS WHICH WILL ATTEND THE AUGUST 16 CONFERENCE ON SUEZ.

WASHINGTON OFFICIALS THIS WEEK SAID THE UNITED STATES PLAN PROVIDED FOR AN INTERNATIONAL AUTHORITY TO RUN THE CANAL.

OF THE SUEZ DISPUTE BY FORCE, BUT 'BY THE BROADEST POSSIBLE INTERNATIONAL AGREEMENT'.

(ENDS)

MESSAGE ENDS 10.43AM HP



NO LEGAL JUSTIFICATION.

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MR. MENZIES MAY BE THE ONLY PRIME MINISTER AT THE CONFERENCE  
~~AT THE TIME~~ AS MOST NATIONS PROBABLY WILL BE REPRESENTED BY THEIR  
FOREIGN MINISTERS.

AUSTRALIAN EXTERNAL AFFAIRS MINISTER CASEY WILL SIT AT THE  
CONFERENCE TABLE WITH MR. MENZIES.

MR. MENZIES ATTACKED EGYPTIAN LEADER NASSER'S WHOLE STAND ON  
SUEZ.

HE SAID HE COULD FIND NO JUSTIFICATION LEGALLY OR FACTUALLY.

IN WELCOMING THE DECISION OF INDIA, PAKISTAN, AND CEYLON TO  
ATTEND THE CONFERENCE, MR. MENZIES SAID USE OF THE SUEZ CANAL WAS  
VITAL TO THE ECONOMIES OF THESE ~~NATIONS~~ NATIONS.

THEY WOULD PRESUMABLY NOT BE HAPPY ABOUT ITS FREE USE BEING  
IN THE HANDS OF A DICTATOR, HE SAID.

MR. MENZIES ADDED THAT THE AUSTRALIAN CABINET HAD READ AND  
APPROVED BRITISH PRIME MINISTER EDEN'S STATEMENT ON THE SUEZ CANAL.

IN A SPEECH BROADCAST AND TELEVISED, ~~SR~~ SIR ANTHONY EDEN  
SAID BRITAIN COULD NEVER ACCEPT COLONEL NASSER'S 'ACT OF PLUNDER'.

BUT HE GAVE AN ASSURANCE THAT BRITAIN DID NOT SEEK A SOLUTION  
OF THE SUEZ DISPUTE BY FORCE, BUT 'BY THE BROADEST POSSIBLE  
INTERNATIONAL AGREEMENT'.

(ENDS)

MESSAGE ENDS 10.43AM HP